

# AXA WORLD FUNDS

(SICAV)

A LUXEMBOURG INVESTMENT FUND



## Hong Kong Offering Memorandum

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Investment  
Managers

PART OF  
**BNP PARIBAS**  
GROUP

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## Sub-Fund Descriptions

All of the funds described on the following pages are sub-funds of AXA World Funds. AXA World Funds exists to provide investors, through the Sub-Funds, with access to a diverse range of investments, strategies and worldwide financial markets.

The investment objective and policy of each Sub-Fund begin on the next page. In addition, all Sub-Funds are subject to the general investment policies and restrictions that appear, at the end of this “Sub-Fund Descriptions” section, notably in “General Investment Rules for UCITS”.

The management company, which has overall management responsibility for AXA World Funds, and the investment managers, which handle the day-to-day management of the Sub-Funds, are all AXA IM Group companies. More information about AXA World Funds and other service providers can be found in sections “The SICAV” and “The Management Company”.

## A Word to Potential Investors

### All Investments Involve Risk

An investment in AXA World Funds involves risk, including the possibility that investors could lose money. AXA World Funds cannot guarantee the performance of, or any future return on, the Shares. For more information, see “Risk Descriptions”.

Before investing in any Sub-Fund, investors should assess how well its objective and risk characteristics align with their own financial circumstances and tolerance for investment risk. Investors should also inform themselves about all applicable legal, tax and foreign exchange considerations associated with their investment, such as those imposed by the jurisdictions in which investors live or have tax residence. We recommend that every investor consult an investment adviser and a tax adviser before investing.

### Who Can Invest in Sub-Funds of AXA World Funds

The AXA World Funds and its Sub-Funds as described in this document have been authorized by the SFC. The SFC authorization is not a recommendation or endorsement of the AXA World Funds and the Sub-Funds nor does it guarantee the commercial merits of the AXA World Funds and the Sub-Funds or their performance. It does not mean the AXA World Funds and the Sub-Funds are suitable for all investors nor is it an endorsement of their suitability for any particular investors or class of investors.

The Shares are not registered in the US; thus they are not offered to US Persons, Benefit Plan Investors and Canadian Prohibited Investors, as defined in this document.

For more information on Shareholder restrictions, including which Sub-Funds and Share Classes investors may be eligible to invest in see “Available Share Classes” in section “Investing in the Sub-Funds”.

### Which Information to Rely On

In deciding whether to invest in any of these Sub-Funds, investors should rely only on the information in this document, the Product Key Facts Statements of the Sub-Funds, the Articles of Incorporation and the most recent financial report(s). By buying Shares in any of these Sub-Funds, investors are considered to have accepted the terms described in these documents. If investors are in any doubt about these documents, please seek independent professional advice.

Together, all these documents contain the only approved information about AXA World Funds and the Sub-Funds. The Board is liable for any statements or information about AXA World Funds and its Sub-Funds that is contained in these documents. The directors of the SICAV whose names appear in “Members of the Board of Directors” section of this document have taken all reasonable care to ensure that the facts stated in this document and the Product Key Facts Statements of the Sub-Funds are true and accurate in all material respects and that there are no material facts the omission of which would make misleading statement herein, whether fact or opinion. The directors accept responsibility accordingly.

Investors should note that websites cited or referred to in this document and the Product Key Facts Statements of the Sub-Funds have not been reviewed by the SFC and may contain information of the funds not authorized by the SFC.

## Sustainable Investments and promotion of ESG characteristics

The SICAV and all its Sub-Funds comply with AXA Investment Managers' ("AXA IM's") Sectorial Exclusion policies encompassing areas such as Controversial Weapons, Climate Risks, Soft Commodities, Ecosystem Protection & Deforestation and Tobacco, as described in the policy document. All Sub-Funds qualifying as "article 8" or "article 9" products according to Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector ("SFDR") apply the AXA IM's Environmental, Social and Governance standards policy ("ESG Standards"), according to which the Investment Manager aims at integrating the ESG Standards in the investment process by applying specific sectorial exclusions such as white phosphorus weapons and by excluding investments in securities issued by companies in violation of international norms and standards such as the United Nations Global Compact Principles or the OECD guidelines for Multinational Enterprises; as well as investments in companies which are involved in severe ESG-related incidents and investments in issuers with a Low ESG quality. Instruments issued by countries where serious specific categories of violations of Human Rights are observed are also banned. These policies (together "Policies") are available on the website: <https://www.axa-im.com/our-policies-and-reports>. The Sub-Funds applying ESG Standards and/or having a non-financial objective of outperforming the ESG score of their respective benchmark or their investment universe and/or promoting ESG characteristics qualify as "Article 8 products" according to SFDR. The Sub-Funds which have Sustainable Investment as their non-financial objective and are managed in line with a sustainable and/or thematic impact investing approach qualify as "Article 9 products" according to SFDR.

The table below indicates for each concerned Sub-Fund the classification "Article 8" or "Article 9" as per SFDR, except for Global Income Generating Assets which neither qualifies as Article 8 or Article 9 product:

Sub-Fund's name	SFDR Category
Emerging Markets Short Duration Bonds	Article 8
Digital Economy	Article 8
Emerging Markets Responsible Equity QI	Article 8
Evolving Trends	Article 8
People & Planet Equity	Article 9
Sustainable Equity QI	Article 8
US Growth	Article 8
Asian Short Duration Bonds	Article 8
Global High Yield Bonds	Article 8
Global Inflation Bonds	Article 8
Global Strategic Income (formerly known as "Global Strategic Bonds")	Article 8
US High Yield Bonds	Article 8
Europe Real Estate	Article 8
Global Real Estate	Article 8

Where the above Sub-Funds categorized as Article 8 promote environmental characteristic, it should be noted that they do not at this stage take into account the EU criteria for environmentally sustainable economic activities as defined by the EU Taxonomy Regulation and their portfolio alignment with such EU Taxonomy Regulation is not calculated. Therefore, the "do no significant harm" principle does not apply to any of the investments of these Sub-Funds at this stage.

Where the above Sub-Fund categorized as Article 9 invest in an economic activity that contributes to an environmental objective, it is required to disclose certain information about the environmental objective(s) set out in the EU Taxonomy Regulation to which the investments of the Sub-Fund contribute and about the investments in economic activities that qualify as environmentally sustainable under the EU Taxonomy Regulation.

In line with the current state of the SFDR and/or the EU Taxonomy Regulation, Investment Managers currently ensure that such investments of these Sub-Funds contribute to the abovementioned objective(s) while not significantly harming any other sustainable objective as follows:

- *With regards to SFDR:* These Sub-Funds apply sectorial exclusions, ESG standard policies and additional investments' selectivity approach based on ESG score, ESG indicators or United Nation Sustainable Development Goals (SDGs) in portfolio construction and investment processes as detailed in each Sub-Fund's relevant SFDR Annex. The "do no significant harm" principle is considered through, exclusion policies of the most material ESG risks and exclusion of issuers with significant negative impact on SDGs or having a CCC ESG scoring. Stewardship policies are an additional risk mitigation on Principal Adverse Impacts through direct dialogue with companies on sustainability and governance issues.

- *With regards to EU Taxonomy Regulation:* AXA IM relies on a third party provider to identify those economic activities that contribute substantially to climate mitigation or climate adaptation, “do no significant harm” to any of the other environmental objectives, comply with minimum social and governance safeguards and with technical screening criteria on climate mitigation or/and climate adaptation environmental objective(s).

The minimum underlying environmentally sustainable investments of the Sub-Funds categorized as Article 9 and some Article 8 Sub-Funds investing in sustainable assets under SFDR should represent 0% of each Sub-Fund's assets (including in enabling and transitional activities).

The ESG data used in the investment process of Sub-Funds qualifying as Article 8 or Article 9 under SFDR are based on ESG methodologies which rely in part on third party data, and in some cases are internally developed. They are subjective and may change over time. Despite several initiatives, the lack of harmonised definitions can make ESG criteria heterogeneous. As such, the different investment strategies that use ESG criteria and ESG reporting are difficult to compare with each other. Strategies that incorporate ESG criteria and those that incorporate sustainable development criteria may use ESG data that appear similar but which should be distinguished because their calculation method may be different. AXA IM's different ESG methodologies described herein may evolve in the future to take into account (among others) any improvements in data availability and reliability, or any developments of regulations or other external frameworks or initiatives.

The classification of the SICAV under SFDR may be subject to adjustments and amendments, since SFDR has come into force recently only and certain aspects of SFDR may be subject to new and/or different interpretations than those existing at the date of this Hong Kong Offering Memorandum. As part of the ongoing assessment and current process of classifying its financial products under SFDR, the Management Company reserves the right, in accordance with and within the limits of applicable regulations and of the SICAV's legal documentation, to update the classification of the Sub-Funds from time to time to reflect changes in market practice, its own interpretations, SFDR-related laws or regulations or currently applicable delegated regulations, communications from national or European authorities or court decisions clarifying SFDR interpretations. Investors are reminded that they should not base their investment decisions on the information presented under SFDR only.

The list of Sub-Funds awarded with the French Label Socially Responsible Investment (SRI) Label is available on the following website: [Liste des fonds labellisés - Label ISR \(lelabelisr.fr\)](https://lelabelisr.fr) and the related SRI Label guidelines they comply with (SRI guidelines dated of 1<sup>st</sup> March 2024 as may be amended from time to time) are available on the following website [Critères d'attribution \(lelabelisr.fr\)](https://lelabelisr.fr). SRI Label covers notably Social exclusions related to controversial weapons, breaches of the UN Global Compact and tobacco, environmental exclusions related to unconventional oil and gas, as well as the development of new conventional and/or unconventional projects, and electricity production; and governance related exclusions based on the EU list of non-cooperative jurisdictions, as well as the black and grey lists of the Financial Action Task Force. Sovereign bonds issued by countries that do not meet the minimum eligibility criteria based on the EU list of non-cooperative jurisdictions, the black and grey lists of the Financial Action Task Force and the Corruption Perceptions Index are also excluded.



# Emerging Markets Short Duration Bonds

## Investment Objective and Strategy

### Objective

To seek performance, in USD, from an actively managed short duration emerging debt securities portfolio.

### Investment Strategy

The Sub-Fund is actively managed in order to capture opportunities in emerging short duration bonds market, primarily investing in securities that are part of the index composed of 75% J. P. Morgan Corporate Emerging Market Bond Index Broad Diversified + 25% J. P. Morgan Emerging Market Bond Index Global Diversified (the "Benchmark") universe. As part of the investment process, the Investment Manager has broad discretion over the composition of the Sub-Fund's portfolio and can take, based on its investment convictions, exposure to companies, countries or sectors not included in the Benchmark or take different positioning in terms of duration, geographical allocation and/or sector or issuer selection compared to the Benchmark, even though the Benchmark constituents are generally representative of the Sub-Fund's portfolio. Thus, the deviation from the Benchmark is likely to be significant.

The Sub-Fund invests in short duration bonds from emerging markets.

Specifically, the Sub-Fund invests mainly (i.e. at least 51% of net assets) in transferable debt securities (including but not limited to fixed or floating rate bonds with fixed maturity and Callable Bonds) that are issued by governments, supranational entities, private or public companies in emerging countries (including but not limited to Brazil, Russia, Turkey, China, Colombia, Mexico, Kazakhstan, Argentina, Croatia, Panama, Hungary, Arab Emirates, South Africa, Chile, Kuwait, Peru, Sri Lanka, Costa Rica, Indonesia, Serbia, Romania, India, Kenya, Lithuania, Poland, Dominican Republic, Pakistan, Latvia, Philippines, Qatar, Egypt) in non-local currencies. For the avoidance of doubt, there is no credit rating criteria for the Sub-Fund's investment in high yield debt securities, and hence, the Sub-Fund may invest up to 100% of net assets in debt securities which is Sub-Investment Grade or unrated (i.e. neither the security itself nor its issuer has a credit rating).

The Sub-Fund may invest up to 100% in sovereign debt securities but it is not the current intention that the Sub-Fund will invest more than 10% of net assets in Sub-Investment Grade securities issued or guaranteed by any single country (including its government, public or local authority of that country).

The total assets of the Sub-Fund may be invested in or exposed to callable bonds without any specific limit.

The Sub-Fund may also, and up to 10% of net assets, invest in Distressed and Defaulted Securities, if, in the opinion of the Investment Manager, such bonds are consistent with the Sub-Fund's investment objective.

The Sub-Fund may invest in debt instruments with loss-absorption features ("LAP") (such as contingent convertible bonds (CoCos), subordinated debts, external total loss-absorbing capacity debt instruments, debt instruments classified as Additional Tier 1 / Tier 2 capital instruments under the resolution regime for financial institution, etc.). These instruments may be subject to contingent write-down or contingent conversion to ordinary shares on the occurrence of trigger event(s), upon which the Investment Manager will assess the suitability of any new instrument and will hold or divest of the same as appropriate. The Sub-Fund's expected total maximum investments in LAP will be up to 30% of its net assets, where up to 30% of its net assets may be invested in subordinated debts issued by banks, insurance companies and non-financial corporates and up to 5% of its net assets may be invested in CoCos.

Typically, the Sub-Fund may invest up to one-third of net assets in money market instruments for cash flow management purposes. In anticipation of or during unfavourable market conditions, the Sub-Fund may defensively hold up to 49% of net assets in money market instruments.

The Sub-Fund's average duration is expected to be three years or less.

The Sub-Fund does not invest in equity and equity-related instruments.

The Sub-Fund may invest up to 10% of net assets in UCITS and/or UCIs.

The Sub-Fund promotes environmental and/or social characteristics.

**More information about the promotion of environmental and/or social characteristics is available in the SFDR Annex to this document with respect to the Sub-Fund.**

### Derivatives and Efficient Portfolio Management Techniques

The Sub-Fund may use derivatives for efficient portfolio management, hedging and investment.

For the avoidance of doubt, the Sub-Fund's net derivative exposure may be up to 50% of the Sub-Fund's net asset value. The net derivative exposure is calculated in accordance with the SFC Code on Unit Trusts and Mutual Funds and the requirements and guidance issued by the SFC which may be updated from time to time.

Derivatives may include forwards and credit default swaps (single name CDS and CDS index).

Such derivatives with underlying indexes will not have significant rebalancing costs. In exceptional market conditions, the Sub-Fund's exposure to a single issuer in an underlying index may be over 20%, and up to 35% of net assets, especially when underlying indexes are highly concentrated. Although the maximum exposure of the Sub-Fund to CDS may not exceed 100% of net assets, it is the current intention of the Investment Manager to enter into CDS transactions for less than 30% of net assets.

The Sub-Fund does not use total return swaps.

All derivatives usage will be consistent with the terms in "More about Derivatives".

For the purpose of efficient portfolio management, the Sub-Fund uses, as part of its daily investment management activity, the following techniques (as a % of net assets):

- securities lending: expected, 0-20%; max, 90%
- repos/reverse repos: expected, 0-10%; max, 20%

By entering into securities lending, the Sub-Fund seeks to enhance yield on daily basis (the assets on loan will generate an incremental return for the Sub-Fund). When using repos/ reverse repos, the Sub-Fund seeks to optimize the collateral management by entering in collateral transformation (e.g. transfer or pledge of collateral in favour of the Sub-Fund, reinvestment of cash collateral, etc.) to manage liquidity and cash.

Main types of assets in scope are bonds.

The Sub-fund does not use securities borrowing.

All efficient portfolio management techniques will be consistent with the terms in "More about Efficient Portfolio Management".

It is the current intention of the Investment Manager to enter into securities lending transactions and repurchase or reverse repurchase agreement transactions for less than 30% of net

assets in aggregate.

### Management Process

The Investment Manager selects investments by valuating market views: economic, valuation, technical analysis of the markets based on a number of factors, including macro- and microeconomic analysis and credit analysis of issuers. The Investment Manager also manages the Interest Rate Sensitivity, the yield curve positioning and the exposure to different geographical areas.

**Reference Currency** USD.

## Risks

**Risk Profile** Risk of capital loss.

**Risk Factors** The Sub-Fund is subject to the risks described in "General Risks", as well as to the following specific risks (described in "Specific Risks"):

- Derivatives and leverage risk
- Emerging markets risk
- High yield debt securities risk
- Sovereign debt risk
- Risks associated with investments in debt instruments with loss-absorption features
- Contingent convertible bonds risk
- Defaulted Securities risk
- Distressed Securities risk
- Subordinated debts risk
- Distribution out of / effectively out of capital risk
- ESG risk
- Extension risk
- Reinvestment risk

**Sustainability Risks** Given the Sub-Fund's Investment Strategy and risk profile, the likely impact of the Sustainability Risks on the Sub-Fund's returns is expected, according to the Management Company, to be medium.

**Method for Calculating Global Exposure** Commitment approach.

## Additional Features

**SFDR category** Article 8 product

**NAV Calculation Frequency** Daily.

**Sub-Fund Business Day** Orders to subscribe, switch or redeem Sub-Fund Shares are processed every day that is a full bank Business Day in Luxembourg, the United Kingdom and the United States of America.

**Subscription, Switching and Redemption Orders** All orders are processed on a Forward Pricing Basis.

**Investment Manager** AXA Investment Managers UK Limited (London).

**Inception** 6 Sep 2012.

Maximum one-off charges taken when you invest		Maximum recurrent charges taken from the Sub-Fund over a year	
Class	Entry Charge	Management Fee	Applied Service Fee
A	3.00%	1.00%	0.50%

See "Notes on Sub-Fund's Costs" following the last Sub-Fund Description. As at the date of the Hong Kong Offering Memorandum, Class A Capitalisation (USD), Class A Capitalisation (EUR Hedged 95%), Class A Capitalisation (SGD Hedged 95%), Class A Distribution quarterly (USD), Class A Distribution quarterly (GBP Hedged 95%), Class A Distribution monthly "st" (HKD Hedged 95%) and Class A Distribution quarterly "fl" (SGD Hedged 95%) are available to the Hong Kong investors. For the currency hedged share class(es), the class currency will be hedged at least at 95% against the reference currency of the Sub-Fund. Please refer to the "Dividend Policy" sub-section in the "Investing in the Sub-Funds" section for details on the dividend policy for the Distributing Shares.

# Digital Economy

## Investment Objective and Strategy

### Objective

To seek long-term growth of your investment, in USD, from an actively managed listed equity and equity-related securities (such as American Depositary Receipts (ADRs) listed in the US, Global Depositary Receipt (GDRs) and P-Notes) portfolio.

### Investment Strategy

The Sub-Fund is actively managed and references MSCI AC World Total Return Net (the "Benchmark") for comparative purposes only. The Benchmark is chosen as it is a global equity benchmark whose performance is comparable to that of the Sub-Fund which essentially invests in equities of companies anywhere in the world that operate within the digital economy sector. The Investment Manager has full discretion over the composition of the portfolio of the Sub-Fund and can take exposure to companies, countries or sectors not included in the Benchmark. There are no restrictions on the extent to which the Sub-Fund's portfolio and performance may deviate from the ones of the Benchmark.

The Sub-Fund invests in equities of large, medium and small sized companies in developed and emerging markets.

Specifically, at all times the Sub-Fund invests at least two thirds of its net assets in equities and equity-related securities of companies active in the overall value chain of the digital economy, from the customers' initial discovery of products and services, to the buying decision and then the final payment and delivery, and also in the technology enablers providing support and data analysis to develop companies' digital presence.

The Sub-Fund is not subject to any limitation on the portion of its net assets that may be invested in any one country or region, including emerging markets (such as Taiwan, India, South Korea, Argentina, Brazil and South Africa).

The Sub-Fund may also invest up to 20% of net assets in money market instruments and up to 10% of net assets in A Shares listed in the Shanghai Hong-Kong Stock Connect.

The Sub-Fund may invest up to 10% of net assets in UCITS and/or UCIs.

The Sub-Fund promotes environmental and/or social characteristics.

**More information about the promotion of environmental and social characteristics is available in the relative SFDR Annex of the Sub-Fund.**

### Derivatives and Efficient Portfolio Management Techniques

The Sub-Fund may use derivatives for efficient portfolio management and hedging.

The Sub-Fund does not use total return swaps.

All derivatives usage will be consistent with the terms in "More about Derivatives".

For the purpose of efficient portfolio management, the Sub-Fund uses, as part of its daily investment management activity, the following techniques (as a % of net assets):

- securities lending: expected, 0-10%; max, 90%

By entering into securities lending, the Sub-Fund seeks to enhance yield on daily basis (the assets on loan will generate an incremental return for the Sub-Fund).

Main types of assets in scope are equities.

The Sub-Fund uses neither securities borrowing transactions nor repos/reverse repos. All efficient portfolio management techniques will be consistent with the terms in "More about Efficient Portfolio Management".

### Management Process

The Investment Manager uses a strategy that combines macro-economic, sector and company specific analysis. The securities selection process is based on a rigorous analysis and selection of high quality companies which typically include strong management teams, robust business models and where the expanding digital economy is expected to have a material positive impact on their financial results on a mid to long term basis.

**Reference Currency** USD.

## Risks

**Risk Profile** risk of capital loss.

**Risk Factors** The Sub-Fund is subject to the risks described in "General Risks", as well as to the following specific risks (described in "Specific Risks"):

- Global investments risk
- Emerging markets risk
- Investments in specific sectors or asset classes risk
- Investments in small and/or micro-capitalisation universe risk
- Investment through the Stock Connect program risk
- Derivative and leverage risk
- ESG risk

**Sustainability Risks** Given the Sub-Fund's Investment Strategy and risk profile, the likely impact of the Sustainability Risks on the Sub-Fund's returns is expected, according to the Management Company, to be low.

**Method for Calculating Global Exposure** Commitment approach.

## Additional Features

**SFDR category** Article 8 product

**NAV Calculation Frequency** Daily.

**Sub-Fund Business Day** Orders to subscribe, switch or redeem Sub-Fund Shares are processed every day that is a full bank Business Day in Luxembourg and a full day on which the New York stock exchange is opened.

**Subscription, Switching and Redemption Orders** All orders are processed on a Forward Pricing Basis.

**Investment Manager** AXA Investment Managers UK Limited (London).

**Inception** 24 October 2017.



Maximum one-off charges taken when you invest		Maximum recurrent charges taken from the Sub-Fund over a year	
Class	Entry Charge	Management Fee	Applied Service Fee
A	5.50%	1.50%	0.50%

See "Notes on Sub-Fund's Costs" following the last Sub-Fund Description. As at the date of the Hong Kong Offering Memorandum, Class A Capitalisation (USD) and Class A Capitalisation (HKD Hedged 95%) are available to the Hong Kong investors. For the currency hedged share class(es), the class currency will be hedged at least at 95% against the reference currency of the Sub-Fund.

# Emerging Markets Responsible Equity QI

## Investment Objective and Strategy

### Objective

To seek long-term return of your investment, in USD, above that of the MSCI Emerging Markets Total Return Net Index (the "Benchmark"), from an actively managed listed equity and equity-related securities portfolio and to apply an ESG approach.

### Investment Strategy

The Sub-Fund is actively managed in order to capture opportunities in emerging market equities worldwide, by mainly investing in equities of companies that are part of the Benchmark. The investment universe of the Sub-Fund may extend to equity securities listed in countries of the Benchmark that are not constituents of the Benchmark. As part of the investment process, the Investment Manager has broad discretion over the composition of the Sub-Fund's portfolio and can take, based on its investment convictions, large overweight or underweight positions on the countries, sectors or companies compared to the Benchmark's composition and/or take exposure to companies, countries or sectors not included in the Benchmark, even though the Benchmark constituents are generally representative of the Sub-Fund's portfolio. Thus, the deviation from the Benchmark is likely to be significant. For the sake of clarity, the Benchmark is a broad market index that does not necessarily consider in its composition or calculation methodology the ESG characteristics promoted by the Sub-Fund.

The Sub-Fund invests in equities of companies in emerging markets.

Specifically, the Sub-Fund invests at least two-thirds of net assets in equities and equity-related securities of companies that are domiciled or do most of their business in countries of the Benchmark. The Sub-Fund may invest in equity securities of any market capitalisation (including mid and small capitalisation companies).

The Investment Manager's approach to portfolio construction is largely systematic and an optimiser is used to structure the portfolio in a way that is intended to meet the investment objective. The optimiser is designed to consider each stock's factor exposure alongside its ESG scoring, Carbon Intensity and/or Water Intensity indicators. This process tilts the portfolio toward stocks with higher ESG scores and lower Carbon Intensity and/or Water Intensity while maintaining the desired factor exposure. The decision to hold, buy or sell a security is based on both financial and non-financial data.

The Sub-Fund may invest up to one-third of net assets in money market instruments, up to 10% in A Shares listed in the Shenzhen and Shanghai Hong Kong Stock Connect

The Sub-Fund may invest up to 10% of net assets in UCITS and/or UCIs.

The Sub-Fund promotes environmental and/or social characteristics by investing in securities that have implemented good practices in terms of managing their ESG practices.

**More information about the promotion of environmental and social characteristics is available in the relative SFDR Annex of the Sub-Fund.**

### Derivatives and Efficient Portfolio Management Techniques

The Sub-Fund may use derivatives for efficient portfolio management and hedging.

For the avoidance of doubt, the Sub-Fund's net derivative exposure may be up to 50% of the Sub-Fund's net asset value. The net derivative exposure is calculated in accordance with the SFC Code on Unit Trusts and Mutual Funds and the requirements and guidance issued by the SFC which may be updated from time to time.

The Sub-Fund does not use total return swaps.

All derivatives usage will be consistent with the terms in "More about Derivatives".

For the purpose of efficient portfolio management, the Sub-Fund uses, as part of its daily investment management activity, the following techniques (as a % of net assets):

- securities lending: expected, 0-10%; max, 90%

By entering into securities lending, the Sub-Fund seeks to enhance yield on daily basis (the assets on loan will generate an incremental return for the Sub-Fund).

Main types of assets in scope are equities.

The Sub-Fund uses neither securities borrowing transactions nor repos/reverse repos.

All efficient portfolio management techniques will be consistent with the terms in "More about Efficient Portfolio Management".

### Management Process

The Investment Manager uses a 2-step approach: 1/ defining the eligible universe after application of a first exclusion filter, as described in AXA IM's Sectorial Exclusion and ESG Standards Policies and Paris-aligned Benchmark (PAB) exclusions as defined in the Benchmark Regulation Delegated Regulation (CDR (EU) 2020/1818) and 2/ proprietary quantitative process designed to identify fundamental drivers of risk and return while seeking to significantly improve the Sub-Fund's ESG profile compared to that of the Benchmark in terms of the non-financial sustainability indicators (i.e. ESG score Carbon Intensity and Water Intensity) as described in the above "Investment Strategy" section.

**Reference Currency** USD.

## Risks

**Risk Profile** High risk of capital loss.

**Risk Factors** The Sub-Fund is subject to the risks described in "General Risks", as well as to the following specific risks (described in "Specific Risks"):

- Emerging markets risk
- Derivatives and leverage risk
- Investments in small and/or micro-capitalisation universe risk
- ESG risk
- Investment through the Stock Connect program risk
- Method and model risk

**Sustainability Risks** Given the Sub-Fund's Investment Strategy and risk profile, the likely impact of the Sustainability Risks on the Sub-Fund's returns is expected, according to the Management Company, to be low.

**Method for Calculating Global Exposure** Commitment approach.

## Additional Features

**SFDR category** Article 8 product

**NAV Calculation Frequency** Daily.

**Sub-Fund Business Day** Orders to subscribe, switch or redeem Sub-Fund Shares are processed every day that is a full bank Business Day in Luxembourg.

**Subscription, Switching and Redemption Orders** All orders are processed on a Forward-Forward Pricing Basis.

**Investment Manager** AXA Investment Managers UK Limited (London).

**Inception** 27 Nov 2007.

Maximum one-off charges taken when you invest		Maximum recurrent charges taken from the Sub-Fund over a year	
Class	Entry Charge	Management Fee	Applied Service Fee
A	5.50%	0.60%	0.50%

See "Notes on Sub-Fund's Costs" following the last Sub-Fund Description. As at the date of the Hong Kong Offering Memorandum, Class A Capitalisation (USD) and Class A Capitalisation (EUR) are available to Hong Kong investors.

# Evolving Trends

## Investment Objective and Strategy

### Objective

To seek long-term growth of your investment, in USD, from an actively managed listed equity and equity-related securities portfolio.

### Investment Strategy

The Sub-Fund is actively managed in order to capture opportunities in worldwide equity markets, by mainly investing in equities of companies that are part of MSCI AC World Total Return Net Index (the “Benchmark”) universe. As part of the investment process, the Investment Manager has broad discretion over the composition of the Sub-Fund’s portfolio and can take, based on its investment convictions, large overweight or underweight positions on the countries, sectors or companies compared to the Benchmark’s composition and/or take exposure to companies, countries or sectors not included in the Benchmark, even though the Benchmark constituents are generally representative of the Sub-Fund’s portfolio. Thus, the deviation from the Benchmark is likely to be significant. For the sake of clarity, the Benchmark is a broad market index which is not aligned with the sustainable investment objective of the Sub-Fund, but is used as a reference for its financial objective.

The Sub-Fund invests essentially in equities of companies anywhere in the world.

Specifically, the Sub-Fund invests essentially (i.e. at least 66% of net assets) in equities and equity-related securities of worldwide companies selected by reference to factors including, but not limited to, earnings potential (e.g. gross and net margins), level of free cash flow, balance sheet structure and sustainable or improving profitability to identify upside potential, benefiting from major growth themes impacted by secular changes (such as demographics, technology innovations or environmental factors) that are deemed by the Investment Manager to demonstrate future growth potential for equity investors such as the impact of ageing and lifestyle, robotic and automation, energy transition, biodiversity, social inclusion and digital transformations. The Sub-Fund may invest up to 100% of net assets in equity securities of any capitalisation (including small and/or micro-capitalisation) and in any market (including emerging markets) or sector.

The Sub-Fund may invest up to 10% in convertible securities and up to 10% in A Shares via the Shanghai Hong Kong Stock Connect.

The Sub-Fund’s available cash is invested with the objective of achieving liquidity and security. The Sub-Fund may invest up to 10% of net assets in money market instruments, money market UCITS and deposits.

The Sub-Fund may invest up to 10% of net assets in UCITS and/or UCIs.

The Sub-Fund promotes environmental and/or social characteristics.

**More information about the promotion of environmental and social characteristics is available in the relative SFDR Annex of the Sub-Fund.**

### Derivatives and Efficient Portfolio Management Techniques

The Sub-Fund may use derivatives for efficient portfolio management and hedging.

For the avoidance of doubt, the Sub-Fund’s net derivative exposure may be up to 50% of the Sub-Fund’s net asset value. The net derivative exposure is calculated in accordance with the SFC Code on Unit Trusts and Mutual Funds and the requirements and guidance issued by the SFC which may be updated from time to time.

The Sub-Fund does not use total return swaps.

All derivatives usage will be consistent with the terms in “More about Derivatives”.

For the purpose of efficient portfolio management, the Sub-Fund uses, as part of its daily investment management activity, the following techniques (as a % of net assets):

- securities lending: expected, 0-10%; max, 90%

By entering into securities lending, the Sub-Fund seeks to enhance yield on daily basis (the assets on loan will generate an incremental return for the Sub-Fund).

Main types of assets in scope are equities.

The Sub-Fund uses neither securities borrowing transactions nor repos/reverse repos.

All efficient portfolio management techniques will be consistent with the terms in “More about Efficient Portfolio Management”.

### Management Process

The Investment Manager selects investments using a strategy that combines macro-economic and company specific analysis that relies on a rigorous analysis of the companies’ business model, management quality, growth prospects and risk/return profile.

**Reference Currency** USD.

## Risks

**Risk Profile** High risk of capital loss.

**Risk Factors** The Sub-Fund is subject to the risks described in “General Risks”, as well as to the following specific risks (described in “Specific Risks”):

- Emerging markets risk
- Global investments risk
- Derivatives and leverage risk
- Investments in small and/or micro-capitalisation universe risk
- ESG risk
- Investment through the Stock Connect program risk

**Sustainability Risks** Given the Sub-Fund’s Investment Strategy and risk profile, the likely impact of the Sustainability Risks on the Sub-Fund’s returns is expected, according to the Management Company, to be low.

**Method for Calculating Global Exposure** Commitment approach.

## Additional Features

**SFDR category** Article 8 product

**NAV Calculation Frequency** Daily.

**Sub-Fund Business Day** Orders to subscribe, switch or redeem Sub-Fund Shares are processed every day that is a full bank Business Day in Luxembourg and a full day on which the New York stock exchange is opened.

**Subscription, Switching and Redemption Orders** All orders are processed on a Forward Pricing Basis.

**Investment Manager** AXA Investment Managers UK Limited (London).

**Inception** 1 Jul 2010.

Maximum one-off charges taken when you invest		Maximum recurrent charges taken from the Sub-Fund over a year	
Class	Entry Charge	Management Fee	Applied Service Fee
A	5.50%	1.50%	0.50%

See "Notes on Sub-Fund's Costs" following the last Sub-Fund Description. As at the date of the Hong Kong Offering Memorandum, Class A Capitalisation (USD) and Class A Capitalisation (HKD Hedged 95%) are available to Hong Kong investors. For the currency hedged share class(es), the class currency will be hedged at least at 95% against the reference currency of the Sub-Fund.



# People & Planet Equity

## Investment Objective and Strategy

### Objective

To seek both long-term growth of your investment, in USD, from an actively managed listed equity and equity-related securities portfolio, and a sustainable investment objective to advance the United Nations Sustainable Development Goals (SDGs) by investing into companies whose products and services are aligned with targets defined by one or more SDGs and that address climate change, protect biodiversity and/or foster social progress, and by applying an impact approach.

### Investment Strategy

The Sub-Fund is actively managed and references MSCI AC World Total Return Net (the "Benchmark") for comparative purposes only. The Investment Manager has full discretion over the composition of the portfolio of the Sub-Fund and can take exposure to companies, countries or sectors not included in the Benchmark. There are no restrictions on the extent to which the Sub-Fund's portfolio and performance may deviate from the ones of the Benchmark. For the sake of clarity, the Benchmark is a broad market index which is not aligned with the sustainable investment objective of the Sub-Fund, but is used as a reference for its financial objective.

The Sub-Fund invests at least two-thirds of its net assets in equities and equity-related securities of worldwide listed companies of any market capitalization that address climate change, protect biodiversity and foster social progress.

The Sub-Fund may invest up to 10% of net assets in A Shares listed in the Shanghai Hong-Kong Stock Connect.

The Sub-Fund may also invest up to one-third of its net assets in money market instruments.

The Sub-Fund may invest up to 10% of net assets in UCITS and/or UCIs that are classified as Articles 9 SFDR products (excluding money market funds).

The Sub-Fund seeks to achieve its objectives by investing in sustainable companies that support in the long run the United Nations Sustainable Development Goals ("SDGs"), including No Poverty (SDG 1), Zero Hunger (SDG 2), Good Health and Wellbeing (SDG 3), Quality Education (SDG 4), Gender Equality (SDG 5), Clean Water and Sanitation (SDG 6), Affordable and Clean Energy (SDG 7), Decent Work and Economic Growth (SDG 8), Industry, Innovation, and Infrastructure (SDG 9), Reduced Inequality (SDG 10), Sustainable Cities and Communities (SDG 11), Responsible Consumption and Production (SDG 12), Climate Action (SDG 13), Life Below Water (SDG 14), Life on Land (SDG 15) and Peace, Justice and Strong Institutions (SDG 16).

The Sub-Fund applies AXA IM's impact approach for listed assets available on Our Sustainability policies, methodologies & reports | AXA IM Corporate (axa-im.com).

The Sub-Fund also bindingly adopts at all times a responsible investment 'Best-in-Universe' selectivity approach.

**More information about sustainable investment is available in the relative SFDR Annex of the Sub-Fund.**

### Derivatives and Efficient Portfolio Management Techniques

The Sub-Fund may use derivatives for efficient portfolio management and hedging.

For the avoidance of doubt, the Sub-Fund's net derivative exposure may be up to 50% of the Sub-Fund's net asset value. The net derivative exposure is calculated in accordance with the

SFC Code on Unit Trusts and Mutual Funds and the requirements and guidance issued by the SFC which may be updated from time to time.

The Sub-Fund does not use total return swaps.

All derivatives usage will be consistent with the terms in "More about Derivatives".

For the purpose of efficient portfolio management, the Sub-Fund uses, as part of its daily investment management activity, the following techniques (as a % of net assets):

- securities lending: expected, 0-10%; max, 90%

By entering into securities lending, the Sub-Fund seeks to enhance yield on daily basis (the assets on loan will generate an incremental return for the Sub-Fund).

Main types of assets in scope are equities.

The Sub-Fund uses neither securities borrowing transactions nor repos/reverse repos.

All efficient portfolio management techniques will be consistent with the terms in "More about Efficient Portfolio Management".

### Management Process

The Investment Manager selects securities by applying a 2-step approach: 1/ defining the eligible universe after application of a first exclusion filter, as described in AXA IM's Sectorial Exclusion and ESG Standards Policies and Paris-aligned Benchmark (PAB) exclusions as defined in the Benchmark Regulation Delegated Regulation (CDR (EU) 2020/1818), followed by a second 'Best-in-Universe' filter based on SDG indicators; 2/ using a strategy that combines company specific analysis based on a rigorous analysis of the companies' impact on social and environmental challenges, as well as its business model, management quality, growth prospects and risk/return profile, with a focus on medium to long-term benefits from companies that fill the social, environmental and governance criteria and respect the principles defined in the United Nations Global Compact Initiative.

**Reference Currency** USD.

## Risks

**Risk Profile** High risk of capital loss.

**Risk Factors** The Sub-Fund is subject to the risks described in "General Risks", as well as to the following specific risks (described in "Specific Risks"):

- Emerging markets risk
- Global investments risk
- Investments in specific sectors or asset classes risk
- Investments in small and/or micro-capitalisation universe risk
- Impact investment risk
- Investment through the Stock Connect program risk
- Derivatives and leverage risk
- ESG risk

**Sustainability Risks** Given the Sub-Fund's Investment Strategy and risk profile, the likely impact of the Sustainability Risks on the Sub-Fund's returns is expected, according to the Management Company, to be low.

**Method for Calculating Global Exposure** Commitment approach.

## Additional Features

**SFDR category** Article 9 product

**NAV Calculation Frequency** Daily.

**Sub-Fund Business Day** Orders to subscribe, switch or redeem Sub-Fund Shares are processed every day that is a full bank Business Day in Luxembourg and a full day on which the New York stock exchange is opened.

**Subscription, Switching and Redemption Orders** All orders are processed on a Forward Pricing Basis.

**Investment Manager** AXA Investment Managers UK Limited (London).

**Inception** 12 Jan 2007.

Maximum one-off charges taken when you invest		Maximum recurrent charges taken from the Sub-Fund over a year	
Class	Entry Charge	Management Fee	Applied Service Fee
A	5.50%	1.75%	0.50%
F	2.00%	0.90%	0.50%

See "Notes on Sub-Fund's Costs" following the last Sub-Fund Description. As at the date of the Hong Kong Offering Memorandum, Class A Capitalisation (USD) and Class F Capitalisation (USD) are available to Hong Kong investors.

# Sustainable Equity QI

## Investment Objective and Strategy

### Objective

To seek to achieve a long-term return above that of the MSCI World Total Return Net Index (the “Benchmark”), with lower volatility and to apply an ESG approach.

### Investment Strategy

The Sub-Fund is actively managed in reference to the Benchmark and seeks to achieve its financial goal by primarily investing in a well-diversified basket of equity securities of issuers that comprise the Benchmark. The investment universe of the Sub-Fund may extend to equity securities listed in countries of the Benchmark that are not constituents of the Benchmark.

The Investment Manager may take, based on its investment convictions, overweight or underweight positions compared to the Benchmark, meaning that deviation from the Benchmark is likely to be significant. However, in certain market conditions, the Sub-Fund’s performance may be close to the Benchmark. This could occur, for example, when share performances are closely aligned to earnings growth, there is a low level of macroeconomic risk and the performance of the equity market aligns closely with the performance of the low volatility and quality factors targeted by the Investment Manager. For the sake of clarity, the Sub-Fund’s Benchmark is a broad market index that does not necessarily consider in its composition or calculation methodology the ESG characteristics promoted by the Sub-Fund.

Specifically, the Sub-Fund invests in equities and equity-related securities of companies of any capitalisation and in any market or sector, with a minimum of investment of 51% of net assets in equities, at all times. However, the current intention of the Investment Manager is for the Sub-fund to be fully invested (i.e. >95% of net assets) in equities at all times.

The Sub-Fund may invest up to 5% of its net assets in money market instruments.

The Sub-Fund may invest up to 10% of net assets in UCITS and/or UCIs.

The Sub-Fund promotes environmental and/or social characteristics by investing in securities that have implemented good practices in terms of managing their environmental, governance and social (“ESG”) practices.

The Investment Manager’s approach to portfolio construction is largely systematic and an optimiser is used to structure the portfolio in a way that is intended to meet the investment objective. The Investment Manager retains its discretion to take action to mitigate the risks of the portfolio in light of prevailing market condition, where appropriate, although this is expected that such action would be exceptional. The quantitative process consists of the following three components:

- (a) Diversification - a weighting process is applied to the investment universe to mitigate concentration risk associated with investing in the largest stocks in the universe, while preserving the liquidity of the portfolio;
- (b) Proprietary factor construction – application of the following four filters which measure and rank the investment universe according to individual stock’s characteristics:
  - (i) Quality – which uses fundamental company data to assess the likelihood that a company will deliver increased recurring earnings growth, as well as changes to earnings quality;
  - (ii) Volatility – which is the rate at which the price of a stock increases or decreases over a particular period

compared to the market price movement. This filter is designed to identify the stocks with the highest level of absolute and relative volatility of share price;

- (iii) Speculative value – which seeks to identify stocks with speculative valuations based on a calculation of current book value divided by current share price and recurring trailing earnings divided by current share price; and
- (iv) Distress – which seeks to capture the evolving non-linear relationships between several variables in order to identify stocks at risk of extreme volatility due to changes in their earnings, profitability, share price momentum, likelihood of dividend cut and probability of non-coverage, among other inputs.

- (c) Implementation - the optimiser is designed to consider the aforementioned four factors with respect to each stock alongside its ESG scoring, Carbon Intensity and/or Gender Diversity at Board Level indicators.

This process tilts the portfolio toward stocks with higher ESG scores, lower Carbon Intensity and/or higher Gender Diversity at Board Level while maintaining the desired factor exposure (i.e. maximizing risk-adjusted portfolio returns and minimizing portfolio volatility). The decision to hold, buy or sell a security is based on both financial and non-financial data.

**More information about the promotion of environmental and social characteristics is available in the relative SFDR Annex of the Sub-Fund.**

### Derivatives and Efficient Portfolio Management Techniques

The Sub-Fund may use derivatives for efficient portfolio management and hedging purposes only.

For the avoidance of doubt, the Sub-Fund’s net derivative exposure may be up to 50% of the Sub-Fund’s net asset value. The net derivative exposure is calculated in accordance with the SFC Code on Unit Trusts and Mutual Funds and the requirements and guidance issued by the SFC which may be updated from time to time.

The Sub-Fund does not use total return swaps.

All derivatives usage will be consistent with the terms in “More about Derivatives”.

For the purpose of efficient portfolio management, the Sub-Fund uses, as part of its daily investment management activity, the following techniques (as a % of net assets):

- securities lending: expected, 0-10%; max, 90%

By entering into securities lending, the Sub-Fund seeks to enhance yield on daily basis (the assets on loan will generate an incremental return for the Sub-Fund).

Main types of assets in scope are equities.

The Sub-Fund uses neither securities borrowing transactions nor repos/reverse repos.

All efficient portfolio management techniques will be consistent with the terms in “More about Efficient Portfolio Management”.

### Management Process

In selecting individual securities, the Investment Manager selects investments by applying a 2-step approach: 1/ define the eligible sustainable investment universe after application of a first exclusion filter, as described in AXA IM’s Sectorial Exclusion and ESG Standards Policies and Paris-aligned Benchmark (PAB) exclusions as defined in the Benchmark Regulation Delegated Regulation (CDR (EU) 2020/1818); and 2/ use a proprietary quantitative process designed to identify fundamental drivers of risk and return while seeking to

significantly improve the Sub-Fund's ESG profile compared to that of the Benchmark.

**Reference Currency** USD.

## Risks

**Risk Profile** Risk of capital loss.

**Risk Factors** The Sub-Fund is subject to the risks described in "General Risks", as well as to the following specific risks (described in "Specific Risks"):

- Global investments risk
- Method and model risk
- Derivatives and leverage risk
- ESG risk

**Sustainability Risks** Given the Sub-Fund's Investment Strategy and risk profile, the likely impact of the Sustainability Risks on the Sub-Fund's returns is expected, according to the Management Company, to be low.

**Method for Calculating Global Exposure** Commitment approach.

## Additional Features

**SFDR category** Article 8 product

**NAV Calculation Frequency** Daily.

**Sub-Fund Business Day** Orders to subscribe, switch or redeem Sub-Fund Shares are processed every day that is a full bank Business Day in Luxembourg and a full day on which the New York stock exchange is opened.

**Subscription, Switching and Redemption Orders** All orders are processed on a Forward Pricing Basis.

**Investment Manager** AXA Investment Managers UK Limited (London).

**Inception** 25 Jul 2013.

Maximum one-off charges taken when you invest		Maximum recurrent charges taken from the Sub-Fund over a year	
Class	Entry Charge	Management Fee	Applied Service Fee
A	5.50%	0.45%	0.50%

See "Notes on Sub-Fund's Costs" following the last Sub-Fund Description. As at the date of the Hong Kong Offering Memorandum, Class A Capitalisation (USD) and Class A Capitalisation (HKD) are available to Hong Kong investors.

# US Growth

## Investment Objective and Strategy

### Objective

To seek long-term growth of your investment, in USD, from an actively managed listed equity and equity-related securities portfolio.

### Investment Strategy

The Sub-Fund is actively managed in order to capture opportunities in North American equities market, by investing at least one third of its net assets in equities of companies that are part of the S&P 500 Total Return Net benchmark index (the “Benchmark”) universe. As part of the investment process, the Investment Manager has broad discretion over the composition of the Sub-Fund’s portfolio and can take, based on its investment convictions, large overweight or underweight positions on the sectors or companies compared to the Benchmark’s composition and/or take exposure to companies, countries or sectors not included in the Benchmark, even though the Benchmark constituents are generally representative of the Sub-Fund’s portfolio. Thus, the deviation from the Benchmark is likely to be significant.

The Sub-Fund invests in equities of companies of any capitalisation, that, the Investment Manager believes, appear to offer above-average profitability and growth prospects.

Specifically, at all times the Sub-Fund invests at least two-thirds of net assets in equities and equity-related securities of companies that are domiciled or do most of their business in the US.

The Sub-Fund may invest up to one-third of net assets in money market instruments and up to 10% in bonds, including convertible bonds and Sub-Investment Grade and/or unrated sovereign debt securities issued or guaranteed by any single country.

The Sub-Fund may invest up to 10% of net assets in UCITS and/or UCIs.

The Sub-Fund promotes environmental and/or social characteristics.

**More information about the promotion of environmental and social characteristics is available in the relative SFDR Annex of the Sub-Fund.**

### Derivatives and Efficient Portfolio Management Techniques

The Sub-Fund may use derivatives for efficient portfolio management and hedging.

For the avoidance of doubt, the Sub-Fund’s net derivative exposure may be up to 50% of the Sub-Fund’s net asset value. The net derivative exposure is calculated in accordance with the SFC Code on Unit Trusts and Mutual Funds and the requirements and guidance issued by the SFC which may be updated from time to time.

The Sub-Fund does not use total return swaps.

All derivatives usage will be consistent with the terms in “More about Derivatives”.

For the purpose of efficient portfolio management, the Sub-Fund uses, as part of its daily investment management activity, the following techniques (as a % of net assets):

- securities lending: expected, 0-10%; max, 90%

By entering into securities lending, the Sub-Fund seeks to enhance yield on daily basis (the assets on loan will generate an incremental return for the Sub-Fund).

Main types of assets in scope are bonds and equities.

The Sub-Fund uses neither securities borrowing transactions nor repos/reverse repos.

All efficient portfolio management techniques will be consistent with the terms in “More about Efficient Portfolio Management”.

### Management Process

The Investment Manager selects investments using a strategy that combines macro-economic, sector and companies’ specific analysis. The securities selection process relies on a rigorous analysis of the companies’ business model, management quality, profitability, growth prospects and risk/return profile.

**Reference Currency** USD.

## Risks

**Risk Profile** High risk of capital loss.

**Risk Factors** The Sub-Fund is subject to the risks described in “General Risks”, as well as to the following specific risks (described in “Specific Risks”):

- Investments in small and/or micro-capitalisation universe risk
- Investments in specific countries or geographical zones risk
- Derivatives and leverage risk
- ESG risk

**Sustainability Risks** Given the Sub-Fund’s Investment Strategy and risk profile, the likely impact of the Sustainability Risks on the Sub-Fund’s returns is expected, according to the Management Company, to be low.

**Method for Calculating Global Exposure** Commitment approach.

## Additional Features

**SFDR category** Article 8 product

**NAV Calculation Frequency** Daily.

**Sub-Fund Business Day** Orders to subscribe, switch or redeem Sub-Fund Shares are processed every day that is a full bank Business Day in Luxembourg and a full day on which the New York stock exchange is opened.

**Subscription, Switching and Redemption Orders** All orders are processed on a Forward Pricing Basis.

**Investment Manager** AXA Investment Managers UK Limited (London).

**Inception** 1 Oct 2009.



Maximum one-off charges taken when you invest		Maximum recurrent charges taken from the Sub-Fund over a year	
Class	Entry Charge	Management Fee	Applied Service Fee
A	5.50%	1.70%	0.50%

See "Notes on Sub-Fund's Costs" following the last Sub-Fund Description. As at the date of the Hong Kong Offering Memorandum, Class A Capitalisation (USD) is available to Hong Kong investors.

# Asian Short Duration Bonds

## Investment Objective and Strategy

### Objective

To seek performance of your investment, in USD, from an actively managed Asian short duration bond portfolio.

### Investment Strategy

The Sub-Fund is actively managed without reference to any benchmark. The Sub-Fund invests in Asian short duration bonds issued by Asian governments, public or private companies and supra-national entities that are denominated in Hard Currency.

Specifically, the Sub-Fund invests at least two-thirds of net assets in Asian transferable debt securities (including but not limited to fixed or floating rate bonds with fixed maturity and Callable Bonds). The Sub-Fund may invest up to 15% of net assets in bonds denominated in local currency and, out of this limit, up to 10% of net assets in securities denominated in offshore RMB.

The Investment Manager anticipates that the average duration of the Sub-Fund will generally be 3 years or less.

The Sub-Fund invests mainly in Investment Grade securities (i.e. at least 51% of net assets). The Sub-Fund may also invest up to 49% of net assets in Sub-Investment Grade securities (i.e. high yield securities). However, the Sub-Fund does not invest in securities rated CCC+ or below by Standard & Poor's or equivalent ratings by Moody's or Fitch. Ratings are based on the lower of two ratings or the second highest of three ratings depending on how many ratings are available. If securities are unrated (i.e. neither the security itself nor its issuer has a credit rating), they must be judged equivalent to those levels by the Investment Manager. In case of a credit downgrade below such minimum, securities will be sold within 6 months.

The total assets of the Sub-Fund may be invested in or exposed to callable bonds without any specific limit and up to 50% of its net assets to perpetual bonds (i.e. bonds without maturity date) issued by banks, insurance companies and non-financial corporates.

The Sub-Fund may also, and up to 10% of net assets, hold Distressed and Defaulted Securities as a result of holding bonds which rating would have been downgraded to be defaulting or distressing, if, in the opinion of the Investment Manager, such bonds are consistent with the Sub-Fund's investment objective. These securities are expected to be sold within 6 months unless specific events prevent the Investment Manager from sourcing their liquidity.

The selection of debt securities is not exclusively and mechanically based on their publicly available credit ratings but also on an internal credit or market risk analysis. The decision to buy or sell securities is also based on other analysis criteria of the Investment Manager.

The Sub-Fund may invest up to 100% of net assets in sovereign debt securities but does not invest more than 10% in securities issued or guaranteed by a single country (including its government and any public or local authority there) that are Sub-Investment Grade.

The Sub-Fund may invest in debt instruments with loss-absorption features ("LAP") (such as contingent convertible bonds (CoCos), subordinated debts, external total loss-absorbing capacity debt instruments, debt instruments classified as Additional Tier 1 / Tier 2 capital instruments under the resolution regime for financial institution, etc.). These instruments may be subject to contingent write-down or contingent conversion to ordinary shares on the occurrence of trigger event(s), upon which the Investment Manager will assess the suitability of any new instrument and will hold or divest

of the same as appropriate. The Sub-Fund's expected total maximum investments in LAP will be up to 50% of its net assets, where up to 50% of its net assets may be invested in subordinated debts (including perpetual bonds that have no maturity date) issued by banks, insurance companies and non-financial corporates and up to 5% of its net assets may be invested in CoCos.

The Sub-Fund may invest up to one-third of net assets in money market instruments.

The Sub-Fund may invest up to 10% of net assets in UCITS and/or UCIs that are managed by an AXA IM group entity and will then themselves not invest in securities rated in accordance with the above rating limits. The Sub-Fund may not invest in external UCITS or UCIs.

The Sub-Fund promotes environmental and/or social characteristics.

**More information about the promotion of environmental and social characteristics is available in the relative SFDR Annex of the Sub-Fund.**

### Derivatives and Efficient Portfolio Management Techniques

The Sub-Fund may use derivatives for efficient portfolio management, hedging and investment.

For the avoidance of doubt, the Sub-Fund's net derivative exposure may be up to 50% of the Sub-Fund's net asset value. The net derivative exposure is calculated in accordance with the SFC Code on Unit Trusts and Mutual Funds and the requirements and guidance issued by the SFC which may be updated from time to time.

Derivatives may include options, swaps, credit derivatives (such as credit default swaps (CDS), futures and Forex forwards). The Sub-Fund does not use total return swaps.

All derivatives usage will be consistent with the terms in "More about Derivatives".

For the purpose of efficient portfolio management, the Sub-Fund uses, as part of its daily investment management activity, the following techniques (as a % of net assets):

- securities lending: expected, 0-10%; max, 90%
- repos/reverse repos: expected, 0-10%; max, 20%

By entering into securities lending, the Sub-Fund seeks to enhance yield on daily basis (the assets on loan will generate an incremental return for the Sub-Fund). When using repos/ reverse repos, the Sub-Fund seeks to optimize the collateral management by entering in collateral transformation (e.g. transfer or pledge of collateral in favour of the Sub-Fund, reinvestment of cash collateral, etc.) to manage liquidity and cash.

Main types of assets in scope are bonds.

The Sub-Fund does not use securities borrowing.

It is the current intention of the Investment Manager to enter into securities lending transactions and repurchase or reverse repurchase agreement transactions for less than 30% of net assets in aggregate.

All efficient portfolio management techniques will be consistent with the terms in "More about Efficient Portfolio Management".

### Management Process

The Investment Manager selects investments based on a number of factors, including macro- and microeconomic analysis and credit analysis of issuers. The Investment Manager also manages the Interest Rate Sensitivity, the yield curve positioning and the exposure to different geographical areas.

**Reference Currency** USD.

## Risks

**Risk Profile** Risk of capital loss.

**Risk Factors** The Sub-Fund is subject to the risks described in “General Risks”, as well as to the following specific risks (described in “Specific Risks”):

- Derivatives and leverage risk
- Emerging markets risk
- Investments in specific countries or geographical zones risk
- High yield debt securities risk
- Sovereign debt risk
- Risks associated with investments in debt instruments with loss-absorption features
- Contingent convertible bonds risk
- Defaulted Securities risk
- Distressed Securities risk
- Perpetual securities risk
- Subordinated debts risk
- Distribution out of / effectively out of capital risk
- ESG risk
- Extension risk
- Reinvestment risk

**Sustainability Risks** Given the Sub-Fund's Investment Strategy and risk profile, the likely impact of the Sustainability Risks on the Sub-Fund's returns is expected, according to the Management Company, to be medium.

**Method for Calculating Global Exposure** Commitment approach.

## Additional Features

**SFDR category** Article 8 product

**NAV Calculation Frequency** Daily.

**Sub-Fund Business Day** Orders to subscribe, switch or redeem Sub-Fund Shares are processed every day that is a full bank Business Day in Luxembourg, the United States of America and Hong Kong.

**Subscription, Switching and Redemption Orders** All orders are processed on a Forward-Forward Pricing Basis.

**Investment Manager** AXA Investment Managers UK Limited (London).

**Inception** 10 March 2015.

Maximum one-off charges taken when you invest		Maximum recurrent charges taken from the Sub-Fund over a year	
Class	Entry Charge	Management Fee	Applied Service Fee
A	3.00%	1.00%	0.50%

See “Notes on Sub-Fund's Costs” following the last Sub-Fund Description. As at the date of the Hong Kong Offering Memorandum, Class A Capitalisation (USD), Class A Capitalisation (EUR Hedged 95%), Class A Distribution quarterly (HKD Hedged 95%), Class A Distribution monthly “st” (USD), Class A Distribution monthly “st” (HKD Hedged 95%) and Class A Distribution monthly “st” (CNH Hedged 95%)<sup>^</sup> are available to the Hong Kong investors. For the currency hedged share class(es), the class currency will be hedged at least at 95% against the reference currency of the Sub-Fund. Please refer to the “Dividend Policy” sub-section in the “Investing in the Sub-Funds” section for details on the dividend policy for the Distributing Shares.

<sup>^</sup> The Investment Manager is responsible for managing the currency hedging of this share class.

# Global High Yield Bonds

## Investment Objective and Strategy

### Objective

To seek high income, in USD, from an actively managed bond portfolio. Capital growth is a secondary objective.

### Investment Strategy

The Sub-Fund is actively managed in order to capture opportunities in international high yield corporate debt market, primarily investing in securities that are part of the ICE BofA Developed Markets High Yield Constrained benchmark index (the "Benchmark") universe. As part of the investment process, the Investment Manager has broad discretion over the composition of the Sub-Fund's portfolio and can take, based on its investment convictions, exposure to companies, countries or sectors not included in the Benchmark or take different positioning in terms of duration, geographical allocation and/or sector or issuer selection compared to the Benchmark, even though the Benchmark constituents are generally representative of the Sub-Fund's portfolio. Thus, the deviation from the Benchmark is likely to be significant.

The Sub-Fund invests in international fixed and floating rate securities mainly issued by European or American companies.

Specifically, the Sub-Fund mainly (i.e. at least 51% of net assets) invests in corporate high yield bonds. The Sub-Fund may invest up to 100% of net assets in fixed income debt securities that are rated Sub-Investment Grade or if unrated (i.e. neither the security itself nor its issuer has a credit rating) then deemed to be so by the Investment Manager. The Sub-Fund will not invest more than 10% of net assets in securities issued or guaranteed by a single country (including its government and any public or local authority there) that are Sub-Investment Grade.

The total assets of the Sub-Fund may be invested in or exposed to callable bonds without any specific limit.

The Sub-Fund may invest in debt instruments with loss-absorption features ("LAP") (such as contingent convertible bonds (CoCos), subordinated debts, external total loss-absorbing capacity debt instruments, debt instruments classified as Additional Tier 1 / Tier 2 capital instruments under the resolution regime for financial institution, etc.). These instruments may be subject to contingent write-down or contingent conversion to ordinary shares on the occurrence of trigger event(s), upon which the Investment Manager will assess the suitability of any new instrument and will hold or divest of the same as appropriate. The Sub-Fund's expected total maximum investments in LAP will be up to 25% of its net assets, where up to 25% of its net assets may be invested in subordinated debts issued by banks, insurance companies and non-financial corporates and up to 10% of its net assets may be invested in CoCos.

The Sub-Fund may also, and up to 10% of net assets, hold Distressed and Defaulted Securities as a result of holding bonds which rating would have been downgraded to be defaulting or distressing, if, in the opinion of the Investment Manager, such bonds are consistent with the Sub-Fund's investment objective. These securities are expected to be sold within 6 months unless specific events prevent the Investment Manager from sourcing their liquidity.

The selection of debt securities is not exclusively and mechanically based on their publicly available credit ratings but also on an internal credit or market risk analysis. The decision to buy or sell securities is also based on other analysis criteria of the Investment Manager.

The Sub-Fund may also invest up to one third of its net assets in money market instruments, money market funds and bank deposits.

The Sub-Fund may invest in 144A securities, in a substantial way (i.e. may be 30% or more of its net assets) depending on the opportunity.

The Sub-Fund may invest up to 5% of net assets in units of UCITS and/or UCIs.

The Sub-Fund promotes environmental and/or social characteristics.

**More information about the promotion of environmental and social characteristics is available in the relative SFDR Annex of the Sub-Fund.**

### Derivatives and Efficient Portfolio Management Techniques

The Sub-Fund may use derivatives for efficient portfolio management, hedging and investment.

For the avoidance of doubt, the Sub-Fund's net derivative exposure may be up to 50% of the Sub-Fund's net asset value. The net derivative exposure is calculated in accordance with the SFC Code on Unit Trusts and Mutual Funds and the requirements and guidance issued by the SFC which may be updated from time to time.

Derivatives used for investment purposes may include credit default swaps (single name CDS and CDS index). The use of CDS not used for hedging purpose does not exceed 20% of net assets.

Such derivatives with underlying indices will not have significant rebalancing costs. In exceptional market conditions, the Sub-Fund's exposure to a single issuer in an underlying index may be over 20%, and up to 35% of net assets, especially when underlying indices are highly concentrated.

The Sub-Fund does not use total return swaps.

All derivatives usage will be consistent with the terms in "More about Derivatives".

For the purpose of efficient portfolio management, the Sub-Fund uses, as part of its daily investment management activity, the following techniques (as a % of net assets):

- securities lending: expected, 0-10%; max, 90%
- repos/reverse repos: expected, 0-10%; max, 20%

By entering into securities lending, the Sub-Fund seeks to enhance yield on daily basis (the assets on loan will generate an incremental return for the Sub-Fund). When using repos/ reverse repos, the Sub-Fund seeks to optimize the collateral management by entering in collateral transformation (e.g. transfer or pledge of collateral in favour of the Sub-Fund, reinvestment of cash collateral, etc.) to manage liquidity and cash.

Main types of assets in scope are bonds.

The Sub-fund does not use securities borrowing.

It is the current intention of the Investment Manager to enter into securities lending and repurchase or reverse repurchase agreement transactions for less than 30% of net assets in aggregate.

All efficient portfolio management techniques will be consistent with the terms in "More about Efficient Portfolio Management".

### Management Process

The Investment Manager selects investments based on a number of factors, including macro- and microeconomic analysis and credit analysis of issuers. The Investment Manager also manages the credit curve positioning and the exposure to different geographical areas, sectors and types of instruments.

**Reference Currency** USD.

## Risks

**Risk Profile** Risk of capital loss.

**Risk Factors** The Sub-Fund is subject to the risks described in “General Risks”, as well as to the following specific risks (described in “Specific Risks”):

- Derivatives and leverage risk
- Global investments risk
- High yield debt securities risk
- Eurozone political, regulatory, economic and convertibility risks
- 144A securities risk
- Reliability of credit ratings
- Distribution out of / effectively out of capital risk
- Risks associated with investments in debt instruments with loss-absorption features
- Contingent convertible bonds risk
- Defaulted Securities risk
- Distressed Securities risk
- Subordinated debts risk
- ESG risk
- Extension risk
- Reinvestment risk

**Sustainability Risks** Given the Sub-Fund's Investment Strategy and risk profile, the likely impact of the Sustainability Risks on the Sub-Fund's returns is expected, according to the Management Company, to be medium.

**Method for Calculating Global Exposure** Commitment approach.

## Additional Features

**SFDR category** Article 8 product.

**NAV Calculation Frequency** Daily.

**Sub-Fund Business Day** Orders to subscribe, switch or redeem Sub-Fund Shares are processed every day that is a full bank Business Day in Luxembourg and the United States of America.

**Subscription, Switching and Redemption Orders** All orders are processed on a Forward Pricing Basis.

**Investment Manager** AXA Investment Managers US Inc. (USA).

**Sub-Investment Manager** AXA Investment Managers UK Limited (London) for European fixed income securities.

**Inception** 12 Mar 2001.

Maximum one-off charges taken when you invest		Maximum recurrent charges taken from the Sub-Fund over a year	
Class	Entry Charge	Management Fee	Applied Service Fee
A	3.00%	1.25%	0.50%

See “Notes on Sub-Fund's Costs” following the last Sub-Fund Description. As at the date of the Hong Kong Offering Memorandum, Class A Capitalisation (USD), Class A Capitalisation (EUR Hedged 95%), Class A Distribution monthly “st” (USD) and Class A Distribution monthly “st” (HKD Hedged 95%) are available to the Hong Kong investors. For the currency hedged share class(es), the class currency will be hedged at least at 95% against the reference currency of the Sub-Fund. Please refer to the “Dividend Policy” sub-section in the “Investing in the Sub-Funds” section for details on the dividend policy for the Distributing Shares.



# Global Inflation Bonds

## Investment Objective and Strategy

### Objective

To seek performance of your investment, in EUR, from an actively managed inflation-linked bond portfolio.

### Investment Strategy

The Sub-Fund is actively managed in reference to the Bloomberg World Inflation-Linked Hedged EUR benchmark index (the "Benchmark") in order to capture opportunities in the inflation-linked bonds market. The Sub-Fund invests at minimum one third of its net assets in the components of the Benchmark. Depending on its investment convictions and after comprehensive macroeconomic and microeconomic analysis of the market, the Investment Manager can take more active positioning in terms of duration (duration measures in numbers of years, the portfolio's sensitivity to interest rate variations), geographical allocation and/or sector or issuer selection compared to the Benchmark. Thus, the deviation from the Benchmark is expected to be significant. However, in certain market conditions (high credit market volatility, turmoil...), the Sub-Fund's positioning on the above indicators may be close to the Benchmark.

The Sub-Fund invests mainly in inflation-linked bonds issued in the OECD.

Specifically, at all times the Sub-Fund invests at least two-thirds of net assets in inflation-linked bonds issued by governments, public institutions or companies in the OECD countries. The remaining part of the portfolio may be invested in debt securities that are not inflation-linked to reduce its exposure to inflation-linked bonds in anticipation of periods of lower inflation.

The Sub-Fund invests at least 90% of net assets in Investment Grade securities and less than 10% in Sub-Investment Grade securities. However, the Sub-Fund does not invest in securities rated CCC+ or below by Standard & Poor's or equivalent rating by Moody's or Fitch. Ratings are based on the lower of two ratings or the second highest of three ratings depending on how many ratings are available. If securities are unrated (i.e. neither the security itself nor its issuer has a credit rating), they must be judged equivalent to those levels by the Investment Manager. In case of a credit downgrade below such minimum, securities will be sold within 6 months.

The selection of debt securities is not exclusively and mechanically based on their publicly available credit ratings but also on an internal credit or market risk analysis. The decision to buy or sell securities is also based on other analysis criteria of the Investment Manager.

The Sub-Fund may invest up to 100% of net assets in sovereign debt securities but does not invest more than 10% in securities issued or guaranteed by a single country (including its government and any public or local authority there) that are Sub-Investment Grade or unrated.

The Sub-Fund may invest up to 5% of net assets in contingent convertible bonds (CoCos).

The Sub-Fund may invest up to one-third of net assets in money market instruments.

The Sub-Fund may invest its net assets in 144A securities, in a substantial way (i.e. may be 30% or more of its net assets) depending on the opportunity.

The Sub-Fund may invest up to 10% of net assets in UCITS and/or UCIs that are managed by an AXA IM group entity and will then themselves not invest in securities rated in accordance

with the above rating limits. The Sub-Fund may not invest in external UCITS or UCIs.

The Sub-Fund is managed within Interest Rate Sensitivity ranging from 5 to 15 years.

Exposure of the Sub-Fund's assets denominated in a currency other than the Sub-Fund's Reference Currency is systematically hedged. There is no guarantee that such hedging be a perfect hedge at 100% of the net assets at all times.

The Sub-Fund promotes environmental and/or social characteristics.

**More information about the promotion of environmental and social characteristics is available in the relative SFDR Annex of the Sub-Fund.**

### Derivatives and Efficient Portfolio Management Techniques

The Sub-Fund may use derivatives for efficient portfolio management, hedging and investment.

The Sub-Fund's net derivative exposure may be up to 50% of the Sub-Fund's net asset value. The net derivative exposure is calculated in accordance with the SFC Code on Unit Trusts and Mutual Funds and the requirements and guidance issued by the SFC which may be updated from time to time.

The Sub-Fund may use derivatives for such purposes as:

- hedging currency risk within the portfolio (futures, currency forwards, currency swaps). The Sub-Fund does not take any active currency exposure and uses foreign exchange derivatives for currency hedging only.
- adjusting exposure to various types or maturities of bonds and sectors (futures, buying calls and puts on interest rate futures, interest rate swaps)
- adjusting exposure to inflation (inflation swaps)
- adjusting specific credit exposures (single-name or index credit default swaps (single name CDS and CDS index)).

Such derivatives with underlying indices will not have significant rebalancing costs. In exceptional market conditions, the Sub-Fund's exposure to a single issuer in an underlying index may be over 20%, and up to 35% of net assets, especially when underlying indices are highly concentrated.

The Sub-Fund does not use total return swaps.

All derivatives usage will be consistent with the terms in "More about Derivatives".

For the purpose of efficient portfolio management, the Sub-Fund uses, as part of its daily investment management activity, the following techniques (as a % of net assets):

- securities lending: expected, 0-40%; max, 90%
- repos/reverse repos: expected, 0-10%; max, 20%

By entering into securities lending, the Sub-Fund seeks to enhance yield on daily basis (the assets on loan will generate an incremental return for the Sub-Fund). When using repos/reverse repos, the Sub-Fund seeks to optimize the collateral management by entering in collateral transformation (e.g. transfer or pledge of collateral in favour of the Sub-Fund, reinvestment of cash collateral, etc.) to manage liquidity and cash.

Main types of assets in scope are bonds.

The Sub-Fund does not use securities borrowing.

All efficient portfolio management techniques will be consistent with the terms in "More about Efficient Portfolio Management".

## Management Process

The Investment Manager selects investments based on a number of factors, including macro- and microeconomic analysis and inflation trends. The Investment Manager also manages the positioning on the inflation-linked yield curve, the Interest Rate Sensitivity and the exposure to different geographical areas.

**Reference Currency** EUR.

## Risks

**Risk Profile** Risk of capital loss.

**Risk Factors** The Sub-Fund is subject to the risks described in "General Risks", as well as to the following specific risks (described in "Specific Risks"):

- Derivatives and leverage risk
- Global investments risk
- Inflation-linked products risk
- Sovereign debt risk
- 144A securities risk
- Contingent convertible bonds risk
- ESG risk

**Sustainability Risks** Given the Sub-Fund's Investment Strategy and risk profile, the likely impact of the Sustainability Risks on the Sub-Fund's returns is expected, according to the Management Company, to be medium.

**Method for Calculating Global Exposure** Commitment approach.

## Additional Features

**SFDR category** Article 8 product

**NAV Calculation Frequency** Daily.

**Sub-Fund Business Day** Orders to subscribe, switch or redeem Sub-Fund Shares are processed every day that is a full bank Business Day in Luxembourg, the United States of America and the United Kingdom.

**Subscription, Switching and Redemption Orders** All orders are processed on a Forward Pricing Basis.

**Investment Manager** no delegation – investment management is performed by AXA Investment Managers Paris as management company in France.

**Inception** 13 Sep 2005.

Maximum one-off charges taken when you invest		Maximum recurrent charges taken from the Sub-Fund over a year	
Class	Entry Charge	Management Fee	Applied Service Fee
A	3.00%	0.60%	0.50%

See "Notes on Sub-Fund's Costs" following the last Sub-Fund Description. As at the date of the Hong Kong Offering Memorandum, Class A Capitalisation (EUR) and Class A Capitalisation (USD Hedged 95%) are available to the Hong Kong investors. For the currency hedged share class(es), the class currency will be hedged at least at 95% against the reference currency of the Sub-Fund.

# Global Strategic Income (formerly known as “Global Strategic Bonds”)

## Investment Objective and Strategy

### Objective

To seek both income and growth of your investment, in USD, from an actively managed bond portfolio.

### Investment Strategy

The Sub-Fund is actively managed without reference to any benchmark.

The Sub-Fund invests in bonds of any type (such as government bonds and corporate bonds), credit quality and currency from issuers anywhere in the world, including emerging markets (such as Ukraine, Cote D'Ivoire, Honduras, Paraguay, Senegal, Egypt, Jamaica, Macedonia and Bahrain), and in money market instruments.

Specifically, the Sub-Fund invests mainly (i.e. at least 51% of net assets) in, fixed and floating rate, Investment Grade and Sub-Investment Grade transferable debt securities, including inflation-linked bonds, debt securities issued by governments, public institutions and companies. It is expected that the Sub-Fund will invest at least two-thirds of its net assets in such securities under normal circumstances. The Sub-Fund may invest up to 100% of net assets in debt securities that are rated Sub-Investment Grade or if unrated (i.e. neither the security itself nor its issuer has a credit rating) then deemed to be so by the Investment Manager. The Sub-Fund may invest up to 25% of net assets in securities issued or guaranteed by a single sovereign issuer (including its government and any public or local authority there) (such as Ukraine, Cote D'Ivoire, Honduras, Paraguay, Senegal, Egypt, Jamaica, Macedonia and Bahrain) that are Sub-Investment Grade. Please note that credit ratings of sovereign issuers may change from time to time and the abovementioned sovereigns is named only for reference and is subject to change from time to time. Such investments are based on the professional judgement of the Investment Manager whose reasons for investment may include favourable and positive outlook on the sovereign issuer based on the analysis of the Investment Manager. The Investment Manager believes it is necessary to retain the flexibility to invest in such investments in order to achieve the investment objective.

The total assets of the Sub-Fund may be invested in or exposed to callable bonds without any specific limit.

The Sub-Fund may also, and up to 10% of net assets, hold Distressed and Defaulted Securities as a result of holding bonds which rating would have been downgraded to be defaulting or distressing, if, in the opinion of the Investment Manager, such bonds are consistent with the Sub-Fund's investment objective. These securities are expected to be sold within 6 months unless specific events prevent the Investment Manager from sourcing their liquidity.

The Sub-Fund may invest less than 20% of net assets in securitisation vehicles or equivalent such as asset-backed securities (ABS), collateralised debt obligations (CDO), collateralised loan obligations (CLO) or similar assets.

The Sub-Fund may invest in debt instruments with loss-absorption features (“LAP”) (such as contingent convertible bonds (CoCos), subordinated debts, senior non-preferred debts, external total loss-absorbing capacity debt instruments, debt instruments classified as Additional Tier 1 / Tier 2 capital instruments under the resolution regime for financial institution, etc.). These instruments

may be subject to contingent write-down or contingent conversion to ordinary shares on the occurrence of trigger event(s), upon which the Investment Manager will assess the suitability of any new instrument and will hold or divest of the same as appropriate. The Sub-Fund's expected total maximum investments in LAP will be up to 25% of its net assets, where up to 25% of its net assets may be invested in subordinated debts (including perpetual bonds i.e. bonds without maturity date, up to 15% of net assets) issued by banks, insurance companies and non-financial corporates and up to 15% of its net assets may be invested in CoCos.

In aggregate, the Sub-Fund will not invest more than 30% of net assets in securitisation vehicles or equivalent such as ABS, CDO, CLO or similar assets or in CoCos.

The Sub-Fund may invest its net assets in 144A securities, in a substantial way (i.e. may be 30% or more of its net assets) depending on the opportunity. The 144A securities in which the Sub-Fund may invest include investment grade and sub-investment grade securities.

The Sub-Fund may invest up to 10% of net assets in units of UCITS and/or UCIs.

The Sub-Fund promotes environmental and/or social characteristics.

**More information about the promotion of environmental and social characteristics is available in the relative SFDR Annex of the Sub-Fund.**

### Derivatives and Efficient Portfolio Management Techniques

The Sub-Fund may use derivatives for efficient portfolio management, hedging and investment.

For the avoidance of doubt, the Sub-Fund's net derivative exposure may be up to 50% of the Sub-Fund's net asset value. The net derivative exposure is calculated in accordance with the SFC Code on Unit Trusts and Mutual Funds and the requirements and guidance issued by the SFC which may be updated from time to time.

Derivatives may include futures, options and credit default swaps (single name CDS and CDS index).

Such derivatives with underlying indices will not have significant rebalancing costs. In exceptional market conditions, the Sub-Fund's exposure to a single issuer in an underlying index may be over 20%, and up to 35% of net assets, especially when underlying indices are highly concentrated.

The Sub-Fund does not use total return swaps.

All derivatives usage will be consistent with the terms in “More about Derivatives”.

For the purpose of efficient portfolio management, the Sub-Fund uses, as part of its daily investment management activity, the following techniques (as a % of net assets):

- securities lending: expected, 0-50%; max, 90%
- repos/reverse repos (which are over-the-counter based): expected, 0-10%; max, 20%

By entering into securities lending, the Sub-Fund seeks to enhance yield on daily basis (the assets on loan will generate an incremental return for the Sub-Fund). When using repos/reverse repos, the Sub-Fund seeks to optimize the collateral management by entering in collateral transformation (e.g. transfer or pledge of collateral in favour of the Sub-Fund,

reinvestment of cash collateral, etc.) to manage liquidity and cash.

Main types of assets in scope are bonds.

The Sub-Fund does not use securities borrowing.

All efficient portfolio management techniques will be consistent with the terms in "More about Efficient Portfolio Management".

## Management Process

The Investment Manager selects investments based on a number of factors, including macroeconomic analysis, core strategies of AXA IM's global fixed income expertise and credit analysis of issuers. The Investment Manager also manages the Interest Rate Sensitivity and the exposure to different geographical areas and types of instruments.

**Reference Currency** USD.

## Risks

**Risk Profile** Risk of capital loss.

**Risk Factors** The Sub-Fund is subject to the risks described in "General Risks", as well as to the following specific risks (described in "Specific Risks"):

- Derivatives and leverage risk
- Global investments risk
- Emerging markets risk
- High yield debt securities risk
- Reliability of credit ratings
- 144A securities risk
- Inflation-linked products risk
- Sovereign debt risk
- Securitised assets and collateralised debt risk
- Collateralised debt obligations securities markets risk
- Risks associated with investments in debt instruments with loss-absorption features
- Contingent convertible bonds risk
- Senior non-preferred debts risk
- Defaulted Securities risk
- Distressed Securities risk
- Perpetual securities risk

- Subordinated debts risk
- Distribution out of / effectively out of capital risk
- ESG risk
- Extension risk
- Reinvestment risk

**Sustainability Risks** Given the Sub-Fund's Investment Strategy and risk profile, the likely impact of the Sustainability Risks on the Sub-Fund's returns is expected, according to the Management Company, to be low.

**Method for Calculating Global Exposure** Commitment approach.

## Additional Features

**SFDR category** Article 8 product

**NAV Calculation Frequency** Daily.

**Sub-Fund Business Day** Orders to subscribe, switch or redeem Sub-Fund Shares are processed every day that is a full bank Business Day in Luxembourg, the United States of America and the United Kingdom.

**Subscription, Switching and Redemption Orders** All orders are processed on a Forward Pricing Basis.

**Investment Manager** AXA Investment Managers UK Limited (London).

Note: For the investment management of the securitized assets of the Sub-Fund, it is performed by AXA Investment Managers Paris as management company in France without delegation.

**Sub-Investment Manager** AXA Investment Managers US Inc. (USA) for US credit securities.

**Inception** 2 May 2012.

Maximum one-off charges taken when you invest		Maximum recurrent charges taken from the Sub-Fund over a year	
Class	Entry Charge	Management Fee	Applied Service Fee
A	3.00%	1.00%	0.50%

See "Notes on Sub-Fund's Costs" following the last Sub-Fund Description. As at the date of the Hong Kong Offering Memorandum, Class A Capitalisation (USD), Class A Capitalisation (HKD Hedged 95%), Class A Distribution monthly "st" (USD) and Class A Distribution monthly "st" (HKD Hedged 95%) are available to the Hong Kong investors. For the currency hedged share class(es), the class currency will be hedged at least at 95% against the reference currency of the Sub-Fund. Please refer to the "Dividend Policy" sub-section in the "Investing in the Sub-Funds" section for details on the dividend policy for the Distributing Shares.



# US High Yield Bonds

## Investment Objective and Strategy

### Objective

To seek high income and long-term growth of your investment, in USD, from an actively managed bond portfolio.

### Investment Strategy

The Sub-Fund is actively managed in order to capture opportunities in the US high yield debt market, primarily investing in securities that are part of the ICE BofA US High Yield Master II benchmark index (the "Benchmark") universe. As part of the investment process, the Investment Manager has broad discretion over the composition of the Sub-Fund's portfolio and can take, based on its investment convictions, exposure to companies, countries or sectors not included in the Benchmark or take different positioning in terms of duration, geographical allocation and/or sector or issuer selection compared to the Benchmark, even though the Benchmark constituents are generally representative of the Sub-Fund's portfolio. Thus, the deviation from the Benchmark is likely to be significant.

The Sub-Fund invests in Sub-Investment Grade corporate bonds (high yield bonds) that are issued by US companies.

Specifically, at all times the Sub-Fund invests at least two-thirds of net assets in Sub-Investment Grade fixed income transferable debt securities issued by private or public companies domiciled in the United States. If securities are unrated (i.e. neither the security itself nor its issuer has a credit rating), they must be judged equivalent to those levels by the Investment Manager.

The Sub-Fund may invest up to one-third of net assets in sovereign debt securities but does not invest more than 10% in securities issued or guaranteed by a single country (including its government and any public or local authority there) that are Sub-Investment Grade or are unrated.

The total assets of the Sub-Fund may be invested in or exposed to callable bonds without any specific limit.

The Sub-Fund may invest in debt instruments with loss-absorption features ("LAP") (such as contingent convertible bonds (CoCos), subordinated debts, external total loss-absorbing capacity debt instruments, debt instruments classified as Additional Tier 1 / Tier 2 capital instruments under the resolution regime for financial institution, etc.). These instruments may be subject to contingent write-down or contingent conversion to ordinary shares on the occurrence of trigger event(s), upon which the Investment Manager will assess the suitability of any new instrument and will hold or divest of the same as appropriate. The Sub-Fund's expected total maximum investments in LAP will be up to 25% of its net assets, where up to 25% of its net assets may be invested in subordinated debts issued by banks, insurance companies and non-financial corporates and less than 10% of its net assets may be invested in CoCos.

The Sub-Fund may also, and up to 10% of net assets, hold Distressed and Defaulted Securities as a result of holding bonds which rating would have been downgraded to be defaulting or distressing, if, in the opinion of the Investment Manager, such bonds are consistent with the Sub-Fund's investment objective. These securities are expected to be sold within 6 months unless specific events prevent the Investment Manager from sourcing their liquidity.

The selection of debt securities is not exclusively and mechanically based on their publicly available credit ratings but also on an internal credit or market risk analysis. The decision to buy or sell securities is also based on other analysis criteria of the Investment Manager.

The Sub-Fund may invest up to one-third of net assets in securities domiciled or listed in Canadian or European markets.

The Sub-Fund may also invest in the following, up to the portion of net assets shown:

- money market instruments: one-third
- convertible securities: less than 10% (including CoCos)
- equities and equity-related securities: one-tenth

The Sub-Fund's portfolio has a weighted average duration of no less than one year.

The Sub-Fund may invest its net assets in 144A securities, in a substantial way (i.e. may be 30% or more of its net assets), depending on the opportunity.

The Sub-Fund may invest up to 10% of net assets in UCITS and/or UCIs.

The Sub-Fund promotes environmental and/or social characteristics.

**More information about the promotion of environmental and social characteristics is available in the relative SFDR Annex of the Sub-Fund.**

### Derivatives and Efficient Portfolio Management Techniques

The Sub-Fund may use derivatives for efficient portfolio management and hedging.

For the avoidance of doubt, the Sub-Fund's net derivative exposure may be up to 50% of the Sub-Fund's net asset value. The net derivative exposure is calculated in accordance with the SFC Code on Unit Trusts and Mutual Funds and the requirements and guidance issued by the SFC which may be updated from time to time.

Derivatives may include credit default swaps (single name CDS and CDS index).

Such derivatives with underlying indices will not have significant rebalancing costs. In exceptional market conditions, the Sub-Fund's exposure to a single issuer in an underlying index may be over 20%, and up to 35% of net assets, especially when underlying indices are highly concentrated.

The Sub-Fund does not use total return swaps.

All derivatives usage will be consistent with the terms in "More about Derivatives".

For the purpose of efficient portfolio management, the Sub-Fund uses, as part of its daily investment management activity, the following techniques (as a % of net assets):

- securities lending: expected, 0-10%; max, 90%
- repos/reverse repos: expected, 0-10%; max, 20%

By entering into securities lending, the Sub-Fund seeks to enhance yield on daily basis (the assets on loan will generate an incremental return for the Sub-Fund). When using repos/ reverse repos, the Sub-Fund seeks to optimize the collateral management by entering in collateral transformation (e.g. transfer or pledge of collateral in favour of the Sub-Fund, reinvestment of cash collateral, etc.) to manage liquidity and cash.

Main types of assets in scope are bonds and equities.

The Sub-fund does not use securities borrowing.

All efficient portfolio management techniques will be consistent with the terms in "More about Efficient Portfolio Management".

### Management Process

The Investment Manager selects investments based on a number of factors, including macro- and microeconomic analysis and credit analysis of issuers. The Investment Manager also manages the credit curve positioning and the exposure to different sectors.



**Reference Currency** USD.

## Risks

**Risk Profile** Risk of capital loss.

**Risk Factors** The Sub-Fund is subject to the risks described in “General Risks”, as well as to the following specific risks (described in “Specific Risks”):

- High yield debt securities risk
- Convertible securities risks
- Investments in specific countries or geographical zones risk
- Sovereign debt risk
- Eurozone political, regulatory, economic and convertibility risks
- Derivatives and leverage risk
- 144A securities risk
- Risks associated with investments in debt instruments with loss-absorption features
- Contingent convertible bonds risk
- Defaulted Securities risk
- Distressed Securities risk
- Subordinated debts risk
- Distribution out of / effectively out of capital risk
- ESG risk
- Extension risk
- Reinvestment risk

**Sustainability Risks** Given the Sub-Fund's Investment Strategy and risk profile, the likely impact of the Sustainability Risks on the Sub-Fund's returns is expected, according to the Management Company, to be medium.

**Method for Calculating Global Exposure** Commitment approach.

## Additional Features

**SFDR category** Article 8 product.

**NAV Calculation Frequency** Daily.

**Sub-Fund Business Day** Orders to subscribe, switch or redeem Sub-Fund Shares are processed every day that is a full bank Business Day in Luxembourg and the United States of America.

**Subscription, Switching and Redemption Orders** All orders are processed on a Forward Pricing Basis.

**Investment Manager** AXA Investment Managers US Inc. (USA).

**Inception** 29 Nov 2006.

Maximum one-off charges taken when you invest		Maximum recurrent charges taken from the Sub-Fund over a year	
Classes	Entry Charge	Management Fee	Applied Service Fee
A	3.00%	1.50%	0.50%

See “Notes on Sub-Fund's Costs” following the last Sub-Fund Description. As at the date of the Hong Kong Offering Memorandum, Class A Capitalisation (USD) and Class A Distribution monthly “st” (USD) are available to the Hong Kong investors. Please refer to the “Dividend Policy” sub-section in the “Investing in the Sub-Funds” section for details on the dividend policy for the Distributing Shares.

# Global Income Generating Assets

## Investment Objective and Strategy

**Objective** To seek both regular income and growth of your investment in the medium term, in USD, through asset class diversification.

**Investment Strategy** The Sub-Fund is actively managed without reference to any benchmark. The Sub-Fund invests in equities, including high dividend equities, bonds of any type and credit rating or unrated, including high yield bonds (which are generally Sub-Investment Grade or unrated). The Sub-Fund may also seek exposure to real estate through equities (including REITs). The Sub-Fund is not subject to any limitation on the portion of its net assets that may be invested in any one country or region, except that up to 25% of its net assets may be invested in emerging markets.

Specifically, the exposure of the Sub-Fund to each asset class (equity, debt securities and real estate) is flexible.

The Sub-Fund invests at least 50% of net assets in equities and equity-related securities of companies of any capitalisation and sector, including companies in the real estate sector and REITs.

The Sub-Fund may also invest up to 45% of its net assets in, fixed and floating rate, Investment Grade and/or Sub-Investment Grade transferable debt securities issued by private or public companies. If securities are unrated (i.e. neither the security itself nor its issuer has a credit rating), they must be judged equivalent to those levels by the Investment Manager. The Sub-Fund will not invest more than 10% of net assets in securities issued or guaranteed by a single country (including its government and any public or local authority there) that are Sub-Investment Grade.

The Sub-Fund may further seek to increase income and return through the use of a financial derivative instrument overlay strategy (e.g. by selling equity index call options with underlying on the Sub-Fund's portfolio positions to generate income from the option premium) with notional value of up to 45% of net assets in aggregate.

The Sub-Fund may invest its net assets in 144A securities, in a substantial way (i.e. may be 30% or more of its net assets) depending on the opportunity.

The Sub-Fund may also invest in or be exposed to callable bonds up to 45% of its net assets and to perpetual bonds (i.e. bonds without maturity date) issued by banks, insurance companies and non-financial corporates up to 10% of its net assets.

The Sub-Fund may also, and up to 10% of net assets, hold Distressed and Defaulted Securities as a result of holding bonds which rating would have been downgraded to be defaulting or distressing, if, in the opinion of the Investment Manager, such bonds are consistent with the Sub-Fund's investment objective. These securities are expected to be sold within 6 months unless specific events prevent the Investment Manager from sourcing their liquidity.

The Sub-Fund may invest up to 10% of its net assets in convertible bonds, including maximum 5% in contingent convertible bonds (CoCos).

The Sub-Fund may invest in debt instruments with loss-absorption features ("LAP") (such as CoCos, subordinated debts, senior non-preferred debts, external total loss-absorbing capacity debt instruments, debt instruments classified as Additional Tier 1 / Tier 2 capital instruments under the resolution regime for financial institution, etc.). These instruments may be subject to contingent write-down or contingent conversion to ordinary shares on the occurrence of trigger event(s), upon which the Investment Manager will assess the suitability of any new instrument and will hold or divest of the same as appropriate. The Sub-Fund's expected total maximum

investments in LAP will be up to 10% of its net assets, where up to 5% of its net assets may be invested in CoCos.

The Sub-Fund may also invest up to 25% of its net assets in money market instruments, money market funds and bank deposits.

The Sub-Fund may invest up to 10% of net assets in UCITS and/or UCIs.

### Derivatives and Efficient Portfolio Management Techniques

The Sub-Fund may use derivatives (such as futures and options) for efficient portfolio management, hedging and investment.

For the avoidance of doubt, the Sub-Fund's net derivative exposure may be up to 50% of the Sub-Fund's net asset value. The net derivative exposure is calculated in accordance with the SFC Code on Unit Trusts and Mutual Funds and the requirements and guidance issued by the SFC which may be updated from time to time.

The Sub-Fund will not use total return swaps.

All derivatives usage will be consistent with the terms in "More about Derivatives".

For the purpose of efficient portfolio management, the Sub-Fund uses, as part of its daily investment management activity, the following techniques (as a % of net assets):

- securities lending: expected, 0-20%; max, 90%

By entering into securities lending, the Sub-Fund seeks to enhance yield on daily basis (the assets on loan will generate an incremental return for the Sub-Fund).

Main types of assets in scope are equities and bonds.

The Sub-Fund does not use securities borrowing nor repos/reverse repos.

All efficient portfolio management techniques will be consistent with the terms in "More about Efficient Portfolio Management".

**Management Process** The Investment Manager uses macroeconomic analysis taking into consideration of factors such as liquidity, costs, timing of execution, relative attractiveness of individual securities available in the market to develop a long-term strategic allocation of assets with an objective to generate a distributable income. The Investment Manager aims to maintain a widely diversified portfolio. Decisions on investments are made using fundamental analysis and/or a proprietary quantitative process.

**Reference Currency** USD.

## Risks

**Risk Profile** Risk of capital loss.

**Risk Factors** The Sub-Fund is subject to the risks described in "General Risks", as well as to the following specific risks (described in "Specific Risks"):

- Derivatives and leverage risk
- Call and put options risk
- Global investments risk
- Emerging markets risk
- High yield debt securities risk
- Reliability of credit ratings
- 144A securities risk
- Sovereign debt risk
- Risks associated with investments in debt instruments with loss-absorption features
- Contingent convertible bonds risk
- Defaulted Securities risk
- Distressed Securities risk

- Extension risk
- Perpetual securities risk
- Reinvestment risk
- Investments in small and/or micro-capitalisation universe risk
- Investments in specific sectors or asset classes risk
- Investments in real estate securities and REITs risk
- Method and model risk
- Distribution out of / effectively out of capital risk

**Sustainability Risks** Given the Sub-Fund's Investment Strategy and risk profile, the likely impact of the Sustainability Risks on the Sub-Fund's returns is expected, according to the Management Company, to be high.

**Method for Calculating Global Exposure** Commitment approach.

## Additional Features

**NAV Calculation Frequency** Daily.

**Sub-Fund Business Day** Orders to subscribe, switch or redeem Sub-Fund Shares are processed every day that is a full bank Business Day in Luxembourg, in the United States of America and a full day on which the New York stock exchange is opened.

**Subscription, Switching and Redemption Orders** All orders are processed on a Forward Pricing Basis.

**Investment Manager** AXA Investment Managers Paris.

**Sub-Investment Managers** AXA Investment Managers UK Limited (London) for global high dividend equities, AXA Investment Managers US Inc. for US high yield bonds and AXA Real Estate Investment Managers SGP for REITS and listed real estate equity.

**Inception** 1 June 2024.

Maximum one-off charges taken when you invest		Maximum recurrent charges taken from the Sub-Fund over a year	
Class	Entry Charge	Management Fee	Applied Service Fee
A	5.50%	1.25%	0.50%

See “Notes on Sub-Fund’s Costs” following the last Sub-Fund Description. As at the date of the Hong Kong Offering Memorandum, Class A Distribution monthly “st” (USD) and Class A Distribution monthly “fl” (USD) are available to the Hong Kong investors. Please refer to the “Dividend Policy” sub-section in the “Investing in the Sub-Funds” section for details on the dividend policy for the Distributing Shares.

# Europe Real Estate<sup>#</sup>

## Investment Objective and Strategy

### Objective

To seek long-term growth of your investment, in EUR, from an actively managed listed equity, equity-related securities and derivatives on such securities portfolio.

### Investment Strategy

The Sub-Fund is actively managed in order to capture opportunities in the regulated European real estate markets, by mainly investing in equities of companies that are part of the FTSE EPRA/NAREIT Developed Europe Capped 10% Total Return benchmark index (the "Benchmark") universe. As part of the investment process, the Investment Manager has broad discretion over the composition of the Sub-Fund's portfolio and can take, based on its investment convictions, large overweight or underweight positions on the countries or companies compared to the Benchmark's composition and/or take exposure to companies, countries or sectors not included in the Benchmark, even though the Benchmark constituents are generally representative of the Sub-Fund's portfolio. Thus, the deviation from the Benchmark is likely to be significant.

The Sub-Fund invests in equities of companies that are in the real estate sector.

Specifically, at all times the Sub-Fund invests at least two-thirds of net assets in transferable securities of companies that are in the real estate sector, and are domiciled or do most of their business in Europe. The Sub-Fund invests mainly in securities that are negotiated on European regulated markets. On an ancillary basis, the Sub-Fund may invest on markets outside the Europe. The Sub-Fund may invest in equity securities of any market capitalisation (including small and micro-sized companies).

The Sub-Fund may also invest up to one third of its net assets in money market instruments, money market funds and bank deposits.

The Sub-Fund may invest up to 5% of net assets in UCITS and/or UCIs.

The Sub-Fund promotes environmental and/or social characteristics.

**More information about the promotion of environmental and social characteristics is available in the relative SFDR Annex of the Sub-Fund.**

### Derivatives and Efficient Portfolio Management Techniques

The Sub-Fund may use derivatives for efficient portfolio management and hedging.

For the avoidance of doubt, the Sub-Fund's net derivative exposure may be up to 50% of the Sub-Fund's net asset value. The net derivative exposure is calculated in accordance with the SFC Code on Unit Trusts and Mutual Funds and the requirements and guidance issued by the SFC which may be updated from time to time.

The Sub-Fund does not use total return swaps.

All derivatives usage will be consistent with the terms in "More about Derivatives".

For the purpose of efficient portfolio management, the Sub-Fund uses, as part of its daily investment management activity, the following techniques (as a % of net assets):

- securities lending: expected, 0-20%; max, 90%

By entering into securities lending, the Sub-Fund seeks to enhance yield on daily basis (the assets on loan will generate an incremental return for the Sub-Fund).

Main types of assets in scope are equities.

The Sub-Fund uses neither securities borrowing transactions nor repos/reverse repos.

All efficient portfolio management techniques will be consistent with the terms in "More about Efficient Portfolio Management".

### Management Process

The Investment Manager combines a "bottom-up" research process for selecting securities and, to a lesser extent, a "top-down" approach for geographical asset allocation. The Investment Manager uses a strategy that combines macro-economic, industry analysis and company selection. The securities selection process relies on a rigorous analysis of the companies' business model, growth prospects, underlying assets and risk/return profile.

**Reference Currency** EUR.

## Risks

**Risk Profile** High risk of capital loss.

**Risk Factors** The Sub-Fund is subject to the risks described in "General Risks", as well as to the following specific risks (described in "Specific Risks"):

- Investments in specific sectors or asset classes risk
- Investments in real estate securities and REITs risk
- Investments in specific countries or geographical zones risk
- Eurozone political, regulatory, economic and convertibility risks
- Derivative and leverage risk
- Distribution out of/effectively out of capital risk
- Investments in small and/or micro-capitalisation universe risk
- ESG risk

**Sustainability Risks** Given the Sub-Fund's Investment Strategy and risk profile, the likely impact of the Sustainability Risks on the Sub-Fund's returns is expected, according to the Management Company, to be low.

**Method for Calculating Global Exposure** Commitment approach.

## Additional Features

**SFDR category** Article 8 product

**NAV Calculation Frequency** Daily.

**Sub-Fund Business Day** Orders to subscribe, switch or redeem Sub-Fund Shares are processed every day that is a full bank Business Day in Luxembourg and a full day on which the London stock exchange is opened.

**Subscription, Switching and Redemption Orders** All orders are processed on a Forward Pricing Basis.

**Investment Manager** AXA Real Estate Investment Managers SGP.

**Inception** 16 Aug 2005.

# AXA World Funds – Europe Real Estate is authorized under the SFC Code on Unit Trusts and Mutual Funds but not under the Code on Real Estate Investment Trusts. SFC authorization is not a recommendation or endorsement of the Sub-Fund nor does it guarantee the commercial merits of the Sub-Fund or its performance. It does not mean the Sub-Fund is suitable for all investors nor is it an endorsement of its suitability for any particular investors or class of investors.

Maximum one-off charges taken when you invest		Maximum recurrent charges taken from the Sub-Fund over a year	
Class	Entry Charge	Management Fee	Applied Service Fee
A	5.50%*	1.50%	0.50%
F	2.00%	0.75%	0.50%

See "Notes on Sub-Fund's Costs" following the last Sub-Fund Description. As at the date of the Hong Kong Offering Memorandum, Class A Capitalisation (EUR), Class A Capitalisation (USD Hedged 95%), Class A Distribution quarterly "fl" (USD Hedged 95%), Class A Distribution quarterly "fl" (HKD Hedged 95%) and Class F Capitalisation (EUR) are available to the Hong Kong investors. For the currency hedged share class(es), the class currency will be hedged at least at 95% against the reference currency of the Sub-Fund. Please refer to the "Dividend Policy" sub-section in the "Investing in the Sub-Funds" section for details on the dividend policy for the Distributing Shares.

\* 5.25% maximum for Class A Distribution quarterly (USD Hedged 95%) and Class A Distribution quarterly (HKD Hedged 95%)

# Global Real Estate<sup>#</sup>

## Investment Objective and Strategy

### Objective

To seek long-term growth of your investment, in EUR, from an actively managed listed equity, equity-related securities and derivatives portfolio.

### Investment Strategy

The Sub-Fund is actively managed in order to capture opportunities in the international real estate market, by mainly investing in equities of companies that are part of the FTSE EPRA/NAREIT Developed Total Return Net benchmark index (the "Benchmark") universe. As part of the investment process, the Investment Manager has broad discretion over the composition of the Sub-Fund's portfolio and can take, based on its investment convictions, large overweight or underweight positions on the countries or companies compared to the Benchmark's composition and/or take exposure to companies, countries or sectors not included in the Benchmark, even though the Benchmark constituents are generally representative of the Sub-Fund's portfolio. Thus, the deviation from the Benchmark is likely to be significant.

The Sub-Fund invests in equities of real estate companies anywhere in the world.

Specifically, at all times the Sub-Fund invests at least two-thirds of net assets in transferable securities issued by companies engaged in the real estate sector.

The Sub-Fund may invest in equity securities of any market capitalisation (including small and micro-sized companies).

The Sub-Fund is not subject to any limitation on the portion of its net assets that may be invested in any one country or region.

The Sub-Fund may also invest up to one third of its net assets in money market instruments, money market funds and bank deposits.

The Sub-Fund may invest up to 10% of net assets in UCITS and/or UCIs.

The Sub-Fund promotes environmental and/or social characteristics.

**More information about the promotion of environmental and social characteristics is available in the relative SFDR Annex of the Sub-Fund.**

### Derivatives and Efficient Portfolio Management Techniques

The Sub-Fund may use derivatives for efficient portfolio management, hedging and investment.

For the avoidance of doubt, the Sub-Fund's net derivative exposure may be up to 50% of the Sub-Fund's net asset value. The net derivative exposure is calculated in accordance with the SFC Code on Unit Trusts and Mutual Funds and the requirements and guidance issued by the SFC which may be updated from time to time.

Derivatives used for investment purposes may include futures, forwards, options and credit default swaps (single name CDS and CDS index).

Such derivatives with underlying indices will not have significant rebalancing costs. In exceptional market conditions, the Sub-Fund's exposure to a single issuer in an underlying index may be over 20%, and up to 35% of net assets, especially when underlying indices are highly concentrated.

The Sub-Fund may expose itself via derivatives to equities, equity-related securities, bonds and other fixed income

instruments, indexes and currencies. The Sub-Fund does not use total return swaps.

All derivatives usage will be consistent with the terms in "More about Derivatives".

For the purpose of efficient portfolio management, the Sub-Fund uses, as part of its daily investment management activity, the following techniques (as a % of net assets):

- securities lending: expected, 0-10%; max, 90%

By entering into securities lending, the Sub-Fund seeks to enhance yield on daily basis (the assets on loan will generate an incremental return for the Sub-Fund).

Main types of assets in scope are equities.

The Sub-Fund uses neither securities borrowing transactions nor repos/reverse repos.

All efficient portfolio management techniques will be consistent with the terms in "More about Efficient Portfolio Management".

### Management Process

The Investment Manager combines a "bottom-up" research process for selecting securities and, to a lesser extent, a "top-down" approach for geographical and thematic asset allocation. The securities selection process relies on a rigorous analysis of sector, companies' business model, management quality, growth prospects, underlying assets and risk/return profile.

**Reference Currency** EUR.

## Risks

**Risk Profile** High risk of capital loss.

**Risk Factors** The Sub-Fund is subject to the risks described in "General Risks", as well as to the following specific risks (described in "Specific Risks"):

- Emerging markets risk
- Global investments risk
- Investments in specific sectors or asset classes risk
- Investments in real estate securities and REITs risk
- Derivatives and leverage risk
- Distribution out of / effectively out of capital risk
- Investments in small and/or micro-capitalisation universe risk
- ESG risk

**Sustainability Risks** Given the Sub-Fund's Investment Strategy and risk profile, the likely impact of the Sustainability Risks on the Sub-Fund's returns is expected, according to the Management Company, to be low.

**Method for Calculating Global Exposure** Commitment approach.

## Additional Features

**SFDR category** Article 8 product

**NAV Calculation Frequency** Daily.

**Sub-Fund Business Day** Orders to subscribe, switch or redeem Sub-Fund Shares are processed every day that is a full bank Business Day in Luxembourg and a full day on which the New York stock exchange is opened.

**Subscription, Switching and Redemption Orders** All orders are processed on a Forward-Forward Pricing Basis.



**Investment Manager** AXA Real Estate Investment Managers SGP.

**Inception** 29 Aug 2006

# AXA World Funds – Global Real Estate is authorized under the SFC Code on Unit Trusts and Mutual Funds but not under the Code on Real Estate Investment Trusts. SFC authorization is not a recommendation or endorsement of the Sub-Fund nor does it guarantee the commercial merits of the Sub-Fund or its performance. It does not mean the Sub-Fund is suitable for all investors nor is it an endorsement of its suitability for any particular investors or class of investors.

Maximum one-off charges taken when you invest		Maximum recurrent charges taken from the Sub-Fund over a year	
Class	Entry Charge	Management Fee	Applied Service Fee
A	5.50%	2.00%	0.50%
F	2.00%	1.00%	0.50%

See “Notes on Sub-Fund’s Costs” following the last Sub-Fund Description. As at the date of the Hong Kong Offering Memorandum, Class A Capitalisation (USD), Class A Distribution monthly “st” (USD) and Class F Capitalisation (USD) are available to Hong Kong investors. Please refer to the “Dividend Policy” sub-section in the “Investing in the Sub-Funds” section for details on the dividend policy for the Distributing Shares.

# Notes on Sub-Fund's Costs

**General** The charges below reduce the performance of the Shareholder's investment.

**One-off charges taken before or after investors invest** The most investors will pay for entry, switching and exit charges are shown in the one-off charges in the "Sub-Fund Descriptions". Investors could be eligible to pay less than the maximum amounts shown; they should consult their financial advisor or distributor. These charges may be payable to financial advisors or distributors.

There is no charge for redemptions. While there is no switching charge in itself, investors could be charged up to 1% of the NAV of the switched Shares for additional switch in excess of 4 switches during a 12-month period. Also, if investors switch into a Sub-Fund with a higher entry charge within the first 12-month period following initial investment in the Sub-Fund, they might be charged any percentage rate difference between the entry charge they initially paid and the applicable entry charge on the Sub-Fund they are switching into.

**Recurrent charges taken from the Sub-Fund over a year** These charges are shown in the "Sub-Fund Descriptions". They reflect the management fees and the applied service fee. The Management Company is responsible for the payment of the fees to the investments managers and/or service providers to the Sub-Fund.

## Indirect fees

In addition to above fees, some Sub-Funds may also be subject to indirect fees (see "Additional Features" in "Sub-Fund Descriptions"). In such case, the SICAV will pay fees of the target UCITS and/or UCIs. No subscription or redemption fee may be charged on account of a Sub-Fund's investment in the units of other UCITS and/or UCIs that are managed directly or by delegation by the Management Company or by any other company with which the Management Company is linked by common management or control, or by a substantial direct or indirect holding. In any other case, the Sub-Fund will not invest in underlying UCIs which levy a subscription or a redemption fee higher than 1% and which are submitted to a management fee exceeding 3%.

## Applied service fee

In order to pay its ordinary operating expenses and to seek to protect the investors from fluctuations in these ordinary operating expenses, the SICAV will pay an applied service fee to the Management Company out of the assets of the relevant Share Class. The level of effective applied service fee might be set-out below the maximum level set-out in the "Sub-Fund Descriptions" with different fixed effective applied service fee rates applicable across Share Classes. The effective level of the applied service fee per Sub-Fund and per Share Class is defined taking into account different criteria such as, but not limited to, the costs charged to the Share Class and the variation of costs linked to a change of the NAV in respect of the relevant Share Class that might be due to market effects and/or dealing in Shares. The current levels of effective applied service fee for the share classes are set out below.

Sub-Fund / Share Class	Current level of effective Applied Service Fee
Emerging Markets Short Duration Bonds - Class A capitalisation (USD)	0.23%
Emerging Markets Short Duration Bonds - Class A capitalisation (EUR Hedged 95%)	0.26%

Sub-Fund / Share Class	Current level of effective Applied Service Fee
Emerging Markets Short Duration Bonds - Class A capitalisation (SGD hedged 95%)	0.26%
Emerging Markets Short Duration Bonds - Class A distribution quarterly (USD)	0.23%
Emerging Markets Short Duration Bonds - Class A distribution quarterly (GBP hedged 95%)	0.26%
Emerging Markets Short Duration Bonds - Class A distribution monthly "st" (HKD hedged 95%)	0.26%
Emerging Markets Short Duration Bonds - Class A distribution quarterly "fl" (SGD hedged 95%)	0.26%
Digital Economy - Class A capitalisation (USD)	0.24%
Digital Economy - Class A capitalisation (HKD Hedged 95%)	0.27%
Emerging Markets Responsible Equity QI - Class A capitalisation (USD)	0.36%
Emerging Markets Responsible Equity QI - Class A capitalisation (EUR)	0.36%
Evolving Trends - Class A capitalisation (USD)	0.25%
Evolving Trends - Class A capitalisation (HKD Hedged 95%)	0.28%
People & Planet Equity - Class A capitalisation (USD)	0.24%
People & Planet Equity - Class F capitalisation (USD)	0.24%
Sustainable Equity QI - Class A capitalisation (USD)	0.16%
Sustainable Equity QI - Class A capitalisation (HKD)	0.16%
US Growth - Class A capitalisation (USD)	0.24%
Asian Short Duration Bonds - Class A capitalisation (USD)	0.23%
Asian Short Duration Bonds - Class A capitalisation (EUR Hedged 95%)	0.26%
Asian Short Duration Bonds - Class A distribution quarterly (HKD hedged 95%)	0.26%
Asian Short Duration Bonds - Class A distribution monthly "st" (USD)	0.23%

Sub-Fund / Share Class	Current level of effective Applied Service Fee
Asian Short Duration Bonds - Class A distribution monthly "st" (HKD hedged 95%)	0.26%
Asian Short Duration Bonds - Class A Distribution monthly "st" (CNH Hedged 95%)	0.26%
Global High Yield Bonds - Class A Capitalisation (USD)	0.23%
Global High Yield Bonds - Class A Capitalisation (EUR Hedged 95%)	0.26%
Global High Yield Bonds - Class A Distribution monthly "st" (USD)	0.23%
Global High Yield Bonds - Class A Distribution monthly "st" (HKD Hedged 95%)	0.26%
Global Inflation Bonds - Class A capitalisation (USD Hedged 95%)	0.25%
Global Inflation Bonds - Class A capitalisation (EUR)	0.22%
Global Strategic Income - Class A capitalisation (USD)	0.22%
Global Strategic Income - Class A capitalisation (HKD hedged 95%)	0.25%
Global Strategic Income - Class A distribution monthly "st" (USD)	0.22%
Global Strategic Income - Class A distribution monthly "st" (HKD hedged 95%)	0.25%
US High Yield Bonds - Class A capitalisation (USD)	0.23%
US High Yield Bonds - Class A distribution monthly "st" (USD)	0.23%
Global Income Generating Assets - Class A distribution monthly "st" (USD)	0.23%
Global Income Generating Assets - Class A distribution monthly "fl" (USD)	0.23%
Europe Real Estate - Class A capitalisation (USD Hedged 95%)	0.27%
Europe Real Estate - Class A capitalisation (EUR)	0.24%
Europe Real Estate - Class A distribution quarterly "fl" (USD Hedged 95%)	0.27%
Europe Real Estate - Class A distribution quarterly "fl" (HKD Hedged 95%)	0.27%
Europe Real Estate - Class F capitalisation (EUR)	0.24%
Global Real Estate - Class A capitalisation (USD)	0.25%

Sub-Fund / Share Class	Current level of effective Applied Service Fee
Global Real Estate - Class A distribution monthly "st" (USD)	0.25%
Global Real Estate - Class F capitalisation (USD)	0.25%

By way of a Board resolution, the current or maximum levels of applied service fee may be increased at any time upon at least one month prior notice to the relevant Shareholders.

The applied service fee is fixed in the sense that the Management Company will bear the excess in actual ordinary operating expenses to any such applied service fee charged to the Share Classes. Conversely, the Management Company will be entitled to retain any amount of applied service fee charged to the Share Classes exceeding the actual ordinary operating expenses incurred by the respective Share Classes. The effective applied service fee is accrued at each calculation of the NAV and included in the ongoing charges of each Share Class. In return of the applied service fee received from the SICAV, the Management Company then provides and/or procures, on behalf of the SICAV, the following services and bears all expenses (including any reasonable out-of-pocket expenses) incurred in the day-to-day operations and administration of the Share Classes, including but not limited to:

- depositary fees, including all custody fees, except transaction related fees;
- auditor's fees;
- directors' fees and expenses, and remuneration of officers and employees of the SICAV: any director of the SICAV will be entitled to a fee in remuneration for his services as a director or in his capacity as a member of any committee of the Board;
- the Luxembourg "*Taxe d'abonnement*";
- Share Class currency hedging cost;
- the registrar agent, the domiciliary and administrative agent, any paying agent, the depositary of already issued bearer shares, and of any representatives in jurisdictions where the Shares are qualified for sale, and of all other agents employed on behalf of the SICAV; such remuneration may be based on the net assets of the SICAV or on a transaction basis or may be a fixed sum;
- the cost of preparing, printing and publishing in such languages as are necessary, and distributing offering information or documents concerning the SICAV, annual and semi-annual reports and such other reports or documents, as may be allowed or required under the applicable laws or regulations of the jurisdictions or the authorities where the Shares are qualified for sale;
- registrar's fees;
- the cost of printing certificates and proxies;
- the cost of preparing and filing the Articles of Incorporation and all other documents concerning the SICAV, including registration statements and offering circulars with all authorities (including local securities dealers' associations) having jurisdiction over the SICAV or the offering of Shares;
- the cost of qualifying the SICAV or the sale of Shares in any jurisdiction or of a listing on any exchange;
- the cost of accounting and bookkeeping;
- legal fees;
- the cost of preparing, printing, publishing and distributing public notices and other communications to the Shareholders;
- the cost of calculating the NAV of each Share Class;
- insurance, postage, telephone and telex and any communication mean;
- distribution and sales support costs (including costs charged by local routing order platforms, local transfer agent costs, local representative agent and the translation costs); and
- all similar charges and expenses.

In the cases where any of the ordinary operating expenses listed above might be directly paid out of the assets of the SICAV the applied service fee amount due by the SICAV to the Management Company will be reduced accordingly.

The applied service fee does not cover any cost or expense incurred by a Share Class or Sub-Fund in respect of:

- all taxes which may be due on the assets and the income of the SICAV (to the exception of the Luxembourg “*Taxe d’abonnement*” listed above);
- the cost of investment dealing (including usual banking and brokerage fees due on transactions involving portfolio securities of each Sub-Fund, the latter to be included in the acquisition price and to be deducted from the selling price);
- Correspondent and other banking charges;
- Securities lending fees except custody fees - the agent carrying out securities lending and repurchase agreement activities for its services. The details of the remuneration will figure out in the annual report of the SICAV relative to the relevant Sub-Fund;
- extraordinary expenses including but not limited to expenses that would not be considered as ordinary expenses: litigation expenses, exceptional measures, particularly legal, business or tax expert appraisals or legal proceedings undertaken to protect Shareholders’ interests, any expense linked to non-routine arrangements made by the domiciliary agent, the registrar and transfer agent and the listing agent in the interests of the investors and all similar charges and expenses.

Marketing and advertising expenses will not be paid out of the assets of the Sub-Funds whilst the Sub-Funds are authorized by the SFC.

All expenses that are paid from Shareholders’ assets are reflected in NAV calculations, and the actual amounts paid are documented in the SICAV’s annual reports.

Each Sub-Fund pays all costs it incurs directly and also pays, based on the NAV of the SICAV, a *pro rata* portion of costs not attributable to a specific Sub-Fund. For each Share Class whose currency is different from the Reference Currency of the Sub-Fund, all costs associated with maintaining the separate Share Class currency (such as currency hedging and foreign exchange costs) will be charged to that Share Class.

Each Sub-Fund may amortise its own launch expenses over the first five years of its existence. All launch expenses of the SICAV have been fully amortized.

The management fee and applied service fee are calculated based on each Sub-Fund’s NAV and are paid monthly in arrears to the Management Company.

#### **Other charges taken from the Sub-Fund**

The others costs or expense incurred by a Share Class or Sub-Fund are in respect of:

- all taxes which may be due on the assets and the income of the SICAV (to the exception of the Luxembourg “*Taxe d’abonnement*” listed above);
- the cost of investment dealing (including usual banking and brokerage fees due on transactions involving portfolio securities of each Sub-Fund, the latter to be included in the acquisition price and to be deducted from the selling price);
- correspondent and other banking charges;
- securities lending fees (except custody fees) for the services of the agent carrying out securities lending and repurchase agreement activities. The details of the remuneration will figure out in the annual report of the SICAV relative to the relevant Sub-Fund;
- extraordinary expenses including but not limited to expenses that would not be considered as ordinary expenses: litigation expenses, exceptional measures, particularly legal, business or tax expert appraisals or legal proceedings undertaken to protect Shareholders’ interests, any expense linked to non-routine arrangements made by the domiciliary agent, the registrar and transfer agent and the listing agent in the

interests of the investors and all similar charges and expenses.

A portion of commissions paid to selected brokers for certain portfolio transactions may be repaid to the Sub-Funds which generated the commissions with these brokers and may be used to offset expenses.

#### **Costs relating to the use of financial indices**

The costs relating to the use of financial indices (if any), including the fees accounted at index level, are borne by the relevant Investment Manager(s).



## TAXES

The following is a summary of certain relevant taxation provisions on current law and practice in Luxembourg and Hong Kong only, it does not address the tax consequences for the SICAV or Shareholders in any other jurisdiction and does not constitute legal or tax advice. It is based on current law and practice and may not endure indefinitely.

**Shareholders and prospective Shareholders should consult their own professional advisers on the consequences of acquiring, holding, redeeming, transferring, selling or converting Shares under the relevant laws of the jurisdictions to which they are subject, including any exchange control requirements.**

### Taxes Paid from Sub-Fund's Assets

The SICAV is subject to a "*Taxe d'abonnement*" at the following rates:

- "Liquidity" Sub-Funds (the portfolio of which is composed of any debt securities and instruments, irrespective of whether they are transferable securities or not, including bonds, certificates of deposits, deposit receipts and all other similar instruments, provided that, at the time of their acquisition by the relevant Sub-Fund, their initial or residual maturity does not exceed twelve months, taking into account the financial instruments connected therewith, or the terms and conditions governing those securities provided that the interest rate applicable thereto is adjusted at least annually on the basis of market conditions) and institutional Sub-Funds or Share Classes as per Luxembourg Tax regulation: 0.01%
- All other Sub-Funds or Share Classes: 0.05%

This tax is calculated and payable quarterly, on the aggregate NAV of the outstanding Shares of the Sub-Fund or Share Class at the end of each quarter. The SICAV is not currently subject to any Luxembourg taxes on income, withholding or capital gains. However, the SICAV may be subject to non-recoverable withholding taxes on dividend and interest the SICAV receives from their countries of origin and it may be subject to other taxation levied by foreign tax authorities where the SICAV or the Sub-Funds are registered or distributed.

Any amendments to the Articles of Incorporation are as a rule subject to a fixed registration duty of €75.

**Taxes Paid Directly by Shareholders** Investors who are not Luxembourg taxpayers are not currently subject to any Luxembourg capital gains, income, withholding, gift, estate, inheritance or other taxes. Investors whom Luxembourg considers to be residents or otherwise to have permanent establishment there, either currently or in the past, may be subject to Luxembourg taxes.

**Hong Kong Tax Consideration** Under current law and practice in Hong Kong, AXA World Funds will not be expected to be subject to any Hong Kong profits tax arising from the carrying on of its activities as described in this document. Shareholders whether or not resident in Hong Kong will not be liable for Hong Kong tax in respect of any income or gains made on the issue, redemption, conversion or other disposal of Shares in Hong Kong, save that persons carrying on in Hong Kong a business of trading in securities may be subject to Hong Kong profits tax if those gains form part of such business.

### Automatic Exchange of Financial Account Information

The Inland Revenue (Amendment) (No.3) Ordinance (the "Ordinance") came into force on 30 June 2016. This is the legislative framework for the implementation in Hong Kong of the Standard for Automatic Exchange of Financial Account Information ("AEOI"). The AEOI requires financial institutions ("FI") in Hong Kong to collect information relating to non-Hong Kong tax residents holding accounts with FI, and to file such information with the Hong Kong Inland Revenue Department ("IRD") who in turn will exchange such information with the jurisdiction(s) in which that account holder is resident. Generally, tax information will be exchanged only with jurisdictions with which

Hong Kong has a Competent Authority Agreement; however, FI may further collect information relating to residents of other jurisdictions.

By investing in the SICAV and/or continuing to invest in the SICAV through FI in Hong Kong, investors acknowledge that they may be required to provide additional information to the relevant FI in order for the relevant FI to comply with AEOI. The investor's information (and information on beneficial owners, beneficiaries, direct or indirect Shareholders or other persons associated with such Shareholders that are not natural persons), may be communicated by the IRD to authorities in other jurisdictions.

Each Shareholder and prospective investor should consult its own professional adviser(s) on the administrative and substantive implications of AEOI on its current or proposed investment in the Fund through FI in Hong Kong.

**Foreign Account Tax Compliance Act** The foreign account tax compliance provisions ("FATCA") of the Hiring Incentives to Restore Employment Act 2010 ("HIRE Act") which apply to certain payments are essentially designed to require reporting of US tax person's direct and indirect ownership of non-US accounts and non-US entities to the US Internal Revenue Service ("IRS"), with any failure to provide the required information resulting in a 30% US withholding tax on direct US investments (and possibly indirect US investments). In order to avoid being subject to US withholding tax, both US investors and non-US investors are likely to be required to provide information regarding themselves and their investors. In this regard, the Luxembourg and US Governments signed an intergovernmental agreement with respect to the implementation of FATCA designed to facilitate compliance with FATCA by Foreign Financial Institutions ("FFI") in Luxembourg.

The basic terms of FATCA provisions currently appear to include the SICAV as a FFI. The SICAV has already been registered with the IRS as registered FFI. In order to comply, the SICAV may require all Shareholders to provide mandatory documentary evidence of their US and/or non-US status and may thus be required to, inter alia, disclose the name, address and taxpayer identification number of certain US tax persons that own, directly or indirectly, an interest in the SICAV, as well as certain other information relating to such interest, including amounts paid by the SICAV, to the United States IRS.

While the SICAV will attempt to satisfy any obligations imposed on it to avoid the imposition of the 30% withholding tax, no assurance can be given that the SICAV will be able to satisfy all obligations imposed by FATCA. If the SICAV is not able to comply with the requirements imposed by FATCA and the SICAV may become subject to a withholding tax on its US investments (if any) as a result of FATCA, the value of Shares held by all Shareholders may be materially affected and Shareholders may suffer significant loss as a result.

A Shareholder that fails to provide the documentation evidencing its US and/or non-US tax status as requested by the SICAV may lead to a payment of taxes (including US withholding tax) by the SICAV attributable to such Shareholder's non-compliance under the HIRE Act and such tax liability may be re-charged to such non-compliant Shareholder. Provided that the SICAV is acting in good faith and on reasonable grounds, the SICAV may compulsorily redeem the shares owned by such Shareholders pursuant to the Articles of Incorporation of the SICAV. In addition, the SICAV will have the right to withhold, set-off or deduct any reasonable amounts (including any tax obligations) from the redemption proceeds as permitted by applicable laws and regulations.

Each Shareholder and prospective investor should consult its own tax advisers regarding the requirements under FATCA and the possible implication of FATCA on their investment in the SICAV. In particular, Shareholders who hold their shares through intermediaries should confirm the FATCA compliance status of those intermediaries to ensure that they do not suffer US withholding tax on their investment returns.

**Common Reporting Standard** Capitalised terms used in this section should have the meaning as set forth in the Luxembourg law dated 18 December 2015 (the “CRS Law”), unless provided otherwise herein.

On 9 December 2014, the Council of the EU adopted the Directive 2014/107/EU amending the Directive 2011/16/EU of 15 February 2011 on administrative cooperation in the field of taxation which now provides for an automatic exchange of financial account information between EU member states (“DAC Directive”). The adoption of the aforementioned directive implements the OECD’s CRS and generalizes the automatic exchange of information within the EU as of 1 January 2016.

In addition, Luxembourg signed the OECD’s multilateral competent authority agreement (“Multilateral Agreement”) to automatically exchange information under the CRS. Under this Multilateral Agreement, Luxembourg will automatically exchange financial account information with other participating jurisdictions as of 1 January 2016. The CRS Law implements the DAC Directive introducing the CRS in Luxembourg law.

Under the terms of the CRS Law, the SICAV may be required to annually report to the Luxembourg tax authorities the name, address, member state(s) of residence, TIN(s), as well as the date and place of birth of i) each Reportable Person that is an Account Holder within the meaning of CRS Law, ii) and, in the case of a Passive NFE within the meaning of the CRS Law, of each Controlling Person(s) that is a Reportable Person. Such information may be disclosed by the Luxembourg tax authorities to foreign tax authorities.

The SICAV’s ability to satisfy its reporting obligations under the CRS Law will depend on each Shareholder providing the SICAV with the information, including information regarding direct or indirect owners of each Shareholder, along with the required supporting documentary evidence. Upon request of the SICAV, each Shareholder shall agree to provide the SICAV such information.

Although the SICAV will attempt to satisfy any obligation imposed on it to avoid any fines or penalties imposed by the CRS Law, no assurance can be given that the SICAV will be able to satisfy these obligations. If the SICAV becomes subject to a fine or penalty as result of the CRS Law, the value of the Shares held by the Shareholders may suffer material losses.

Any Shareholder that fails to comply with the SICAV’s documentation requests may be charged with any fines and penalties imposed on the SICAV attributable to such Shareholder’s failure to provide the information and the SICAV may, in its sole discretion, redeem the Shares of such Shareholder.

Shareholders should consult their own tax advisor or otherwise seek professional advice regarding the impact of the CRS Law on their investment.

## **POOLING OF ASSETS**

In pursuing management efficiency, the SICAV may choose to pool some or all assets of a Sub-Fund with assets of other Sub-Funds or of other Luxembourg investment funds to lower SICAV costs and increase diversification.

The pooling is likely to be beneficial to Shareholders overall, but there is no guarantee that this will be the case over any given period of time.



# Risk Descriptions

Consistent with the 2010 Law and applicable regulations, the SICAV uses a risk-management process that enables it to assess each Sub-Fund's exposure to market, liquidity and counterparty risks, and to all other risks that are material for the Sub-Funds (for example, operational risk). The internal auditor of the SICAV and the Management Company verify the risk management procedures used by the SICAV and the management control framework.

**Any of these risks could cause a Sub-Fund to lose money, to perform less well than similar investments, to experience high volatility (ups and downs in the NAV), or to fail to meet its objective over any given period of time. In general, the greater the potential reward from an investment, the higher the level of risk.**

Any of these risks may be present in normal market conditions. Unusual market conditions or large unpredictable events can amplify the risks of ordinary market conditions. In addition, certain risks may change in nature and in relative importance during unusual market conditions.

All Sub-Funds are potentially exposed to the general risks referred to below. For specific risk considerations relating to any Sub-Fund, see "Specific Risk Considerations". The Sub-Funds' investment portfolios may fall in value due to any of the risks factors below and therefore your investment in the Sub-Funds may suffer losses. There is no guarantee of the repayment of principal.

## GENERAL RISKS

**Cash** Under the UCITS V Directive, cash is to be considered as a third category of assets beside financial instruments and other assets, where the UCITS V Directive related obligations are only those covered by the cash flow monitoring obligations. On the other side, non-short term cash deposits could be considered as an investment and consequently should fall within the category of other assets.

**Central securities depositories** In accordance with the UCITS Directive, entrusting the custody of the SICAV's assets to the operator of a securities settlement system (SSS) is not considered as a delegation by the Depositary. Therefore the Depositary is exempted from the strict liability of restitution of assets. A central securities depository (CSD) being a legal person that operates a SSS and provides in addition other core services should not be considered as a delegate of the Depositary irrespective of the fact that the custody of the SICAV's assets have been entrusted to it. There is however some uncertainty around the meaning to be given to such exemption, the scope of which may be interpreted narrowly by some supervisory authorities, notably the European supervisory authorities.

**Collateral management** Counterparty risk arising from investments in OTC financial derivative instruments and securities lending, repurchase and reverse repurchase agreements is generally mitigated by the transfer or pledge of collateral in favour of the Sub-Fund. However, transactions may not be fully collateralised. Fees and returns due to the Sub-Fund may not be collateralised. If a counterparty defaults, the Sub-Fund may need to sell non-cash collateral received at prevailing market prices. In such a case the Sub-Fund could realise a loss due, inter alia, to inaccurate pricing or monitoring of the collateral, adverse market movements, deterioration in the credit rating of issuers of the collateral or illiquidity of the market on which the collateral is traded. Difficulties in selling collateral may delay or restrict the ability of the Sub-Fund to meet redemption requests.

A Sub-Fund may also incur a loss in reinvesting cash collateral received, where permitted. Such a loss may arise due to a decline in the value of the investments made. A decline in the value of such investments would reduce the amount of collateral available to be returned by the Sub-Fund to the counterparty as required by the terms of the transaction. The Sub-Fund would be required to cover the difference in value between the collateral originally

received and the amount available to be returned to the counterparty, thereby resulting in a loss to the Sub-Fund.

**Concentration risk** Sub-Funds may focus their investments in certain companies, groups of companies, sectors of the economy, countries or geographical regions, or ratings. This may lead to adverse consequences for such a Sub-Fund when such companies, sectors, countries or ratings become less valued. The value of the Sub-Funds may be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting the companies, groups of companies, sectors of the economy, countries or geographical regions that the Sub-Funds are focused on. The value of the Sub-Funds with a focus on certain companies, groups of companies, sectors of the economy, countries or geographical regions, or ratings may be more volatile than that of a fund having a more diverse portfolio of investments.

**Valuation risk** Valuation of a Sub-Fund's investments may involve uncertainties and judgemental determinations. If such valuation turns out to be incorrect, this may affect the NAV calculation of the Sub-Fund.

**Counterparty risk** Some Sub-Funds are exposed to a counterparty risk associated to counterparties with which, or brokers, dealers and exchanges through which, they deal, whether they engage in exchange-traded or OTC transactions. This is the risk of default (or counterparty's failure to perform any of its obligations) of any counterparties of the Sub-Funds. The counterparty's default (or the counterparty's failure to perform any of its obligations) under these transactions may have a material adverse effect on the NAV of the Sub-Funds. In the case of insolvency or failure of any such party, such a Sub-Fund might recover, even in respect of property specifically traceable to it, only a pro rata share of all property available for distribution to all of such party's creditors and/or customers. Such an amount may be less than the amounts owed to the Sub-Fund. The Sub-Fund may suffer significant losses.

**Credit risk** The ability of the issuer of securities to honor its commitments depends on the financial condition of the issuer. An adverse change in the financial condition of the issuer could lower the quality of the securities, leading to greater price volatility of the securities. The Sub-Fund may be subject to the risk that the issuer of securities is not making payment on interest and principal of the securities, causing the value of the investment to go down. If a security issuer defaults, the Sub-Fund may experience both delays in liquidating the securities and losses resulting from a decline in value of the securities during the period when the Sub-Fund seeks to enforce its rights leading to the Sub-Fund potentially suffering substantial losses.

Issuers include but are not limited to corporates, banks, sovereign or special purpose vehicles depending on the security. Securities include but are not limited to obligations, notes, Asset Backed Securities, Collateralized Debt Obligations, etc.

**Cross-class liabilities for all Share Classes risk** Although there is an accounting attribution of assets and liabilities to the relevant Share Class, there is no legal segregation with respect to Share Classes of the same Sub-Fund. Therefore, if the liabilities of a Share Class exceed its assets, creditors of said Share Class of the Sub-Fund may seek to have recourse to the assets attributable to the other Share Classes of the same Sub-Fund.

As there is an accounting attribution of assets and liabilities without any legal segregation amongst Share Classes, a transaction relating to a Share Class could affect the other Share Classes of the same Sub-Fund.

**Custody risk** Custodian or sub-custodians are appointed for the purpose of safekeeping assets, which exposes the Sub-Funds to risks of loss associated to this function if those entities fail to perform their duties or if those entities default. In particular, custodian or sub-custodians may be appointed in local markets;

where a Sub-Fund invests in markets where custodial and/or settlement systems are not fully developed, the assets of the Sub-Fund may be exposed to custodial risk. In case of liquidation, bankruptcy or insolvency of a custodian or sub-custodian, the Sub-Fund may take a longer time to recover its assets. In extreme circumstances such as the retroactive application of legislation and fraud or improper registration of title, the Sub-Fund may even be unable to recover all of its assets. The costs borne by the Sub-Fund in investing and holding investments in such markets will be generally higher than in more developed securities markets.

**Risk on termination** In the event of the early closure of a Sub-Fund, the Sub-Fund would have to distribute to the Shareholders their pro rata interest in the assets of the Sub-Fund. It is possible that at the time of such sale or distribution, certain investments held by the Sub-Fund may be worth less than the initial cost of such investments, resulting in a substantial loss to the Shareholders. Moreover, any organisational expenses with regard to the Sub-Fund that had not yet become fully amortised would be debited against the Sub-Fund's capital at that time.

The circumstances under which the Sub-Fund may be liquidated are set out under the "Liquidation or Merger" section of this document.

**Derivative transactions risk** Each Sub-Fund may engage in derivative transactions as part of its investment strategy for hedging and efficient portfolio management purpose. These strategies currently include the use of listed and OTC derivatives, including but not limited to futures and forward contracts, swaps, options and warrants.

Derivatives are volatile and may be subject to various types of risks such as market, liquidity, credit, counterparty, legal and operations risks.

Furthermore, there may be an imperfect correlation between derivative instruments used as hedging vehicles and the investments or market sectors to be hedged. This might result in an imperfect hedge of these risks and a potential loss of capital.

In addition, the use of derivatives can involve significant economic leverage and may, in some cases, involve significant risk of loss. The low initial margin deposits normally required to establish a position in such instruments permits leverage. As a result, a relatively small movement in the price of the underlying contract may result in a profit or a loss that is high in proportion to the amount of assets actually placed as initial margin and may result in unlimited further loss exceeding any margin deposited. The global exposure to the said instruments may not exceed 100% of the NAV of the relevant Sub-Fund in the case of Sub-Funds using the commitment approach in order to control the market risk associated with the use of derivative instruments. Accordingly, the global risk associated with the investments of the Sub-Fund may amount to 200% of the NAV of the Sub-Fund. As temporary borrowings may be allowed up to a maximum of 10%, the global risk may never exceed 210% of the NAV of the relevant Sub-Fund. For Sub-Funds using the Value-at-Risk approach, the risk associated with the use of derivative instruments may not exceed the level of Value-at-Risk indicated in the relevant "Sub-Fund Descriptions" section of each Sub-Fund in order to control the risk associated with the use of said instruments. However, for Sub-Funds which are currently authorized by the SFC, value-at-risk approach will not be used.

Also, the ability to use these strategies may be limited by market conditions and regulatory limits and there can be no guarantee that any of these strategies will meet their expected target.

**Equity risk** Shares' prices on equity markets may fluctuate namely pursuant to investor's expectations or anticipations, changes in market sentiment, political and economic conditions and issuer-specific factors, causing high potential volatility risk. Volatility on equity markets has historically been much greater than the volatility of fixed income markets. Should the price of Shares fall within the Sub-Fund's portfolio, the NAV of the Sub-Fund will also fall.

**Foreign exchange and currency risk** *At portfolio level:* Many Sub-Funds invest in foreign securities, i.e. securities denominated in currencies different from the Reference Currency in which Sub-Funds are denominated.

Movements of foreign exchange rates affect the value of securities held by such a Sub-Fund, as expressed in the Sub-Fund's Reference Currency, and bring additional volatility. If the currency in which a security is denominated appreciates in relation to the Reference Currency of the Sub-Fund, the exchange value of the security in the Reference Currency will appreciate; conversely, a depreciation of the denomination currency will lead to a depreciation in the exchange value of the security and may adversely affect the NAV of the Sub-Fund. Also, changes in exchange rate controls may unfavourably affect the NAV of the Sub-Fund.

In the circumstances when the Investment Manager intends to hedge the currency exchange risk of a transaction, there is no guarantee that such hedging strategy will be effective and that such hedging be a perfect hedge. In an adverse situation, the Sub-Fund may suffer significant losses.

The successful execution of a hedging strategy which mitigates exactly this risk cannot be assured. The implementation of the hedging strategy described above may generate additional costs for the Sub-Fund.

*At share class level:* Many Sub-Funds have Share Classes denominated in currencies different from the Sub-Fund's Reference Currency. When the concerned Share Class is not hedged, its value follows fluctuations of the exchange rate between the Share Class currency and the Sub-Fund's Reference Currency. Therefore, this can generate additional volatility at Share Class level. A Share Class may be affected unfavourably by fluctuations in the exchange rates between the Sub-Fund's Reference Currency and the currencies the Share Classes are denominated in and by changes in exchange rate controls. For currency hedged Share Classes, there is no guarantee that the hedging strategy will be effective and will be a perfect hedge.

**Contagion risk:** Currency hedged Share Classes may incur losses due to their specific hedging strategy, which will primarily be borne by their Shareholders but may, in specific adverse scenario and despite mitigation procedures in place, impact the other Shareholders in the Sub-Fund.

The Share Class aims at hedging the foreign exchange risk resulting from the divergence between the reference currency of the Sub-Fund and the currency of this Share Class by using derivative instruments, which may generate additional costs. The successful execution of a hedging strategy which mitigates exactly the risk cannot be assured.

Where the SICAV seeks to hedge against currency fluctuations, while not intended, this could result in over-hedged or under-hedged positions due to external factors outside the control of the SICAV. However, over-hedged positions will not exceed 105%, and under-hedged position will not fall short of 95% of the NAV of the Share Class. Hedged positions will be kept under review to ensure that over-hedged positions do not exceed and under-hedged positions do not fall short the permitted level. This review will also incorporate a procedure to ensure that positions materially in excess of 100% of NAV of the Share Class will not be carried forward from month to month.

**Inflation Risk** Inflation risk is the potential for the value of assets or income from investments to decrease as a result of eroding purchasing power of money over time (i.e. positive inflation rate). Inflation can lead to higher interest rates, which can negatively impact fixed-income securities prices. Additionally, inflation may increase the cost of commodities and labour, which may impact negatively earnings of companies and therefore corporate asset prices. Unless specifically stated, a Sub-Fund's objective is not to protect the investors from the potential effect of inflation over time. Thus, inflation may have a negative impact on the Sub-Fund's return especially if accounted in real terms (i.e. adjusted from the rate of inflation).

**Interest rate risk** The market value of financial instruments and, therefore, the NAV of the concerned Sub-Funds may change in response to fluctuations in interest rates.

Interest rate risk involves the risk that, when interest rates increase, the market value of fixed income securities tends to decline. Conversely, when interest rates decline, the market value of fixed income securities tends to increase. As a result, the NAV of the Sub-Funds may be adversely affected. Long-term fixed income securities will normally have more price volatility caused by this risk than short-term securities.

**Volatility and liquidity risk** Some markets, on which Sub-Funds may invest, may prove at times to be insufficiently liquid or illiquid and highly volatile compared to more developed markets. The prices of securities traded in such markets may be subject to fluctuations. The bid and offer spreads of the price of such securities may be large and the Sub-Funds may incur significant trading costs. This affects the market price of such a Sub-Fund's securities and therefore its NAV.

Furthermore, there is a risk that, because of a lack of liquidity and efficiency in certain markets due to unusual market conditions or unusual high volumes of repurchase requests or other reason, Sub-Funds may experience some difficulties in purchasing or selling holdings of securities and, therefore, meeting subscriptions and redemptions in the time scale indicated in this document.

In such circumstances, the Management Company may, in accordance with the Articles of Incorporation and in the investors' interest, suspend subscriptions and redemptions or extend the settlement timeframe.

**Loss of capital risk** Except where this document explicitly references the existence of a capital guarantee at a given date, and subject to the terms thereof, no guarantee is made or supplied to investors with respect to the restitution of their initial or subsequent investments in a Sub-Fund.

Loss of capital may be due to direct exposure, counterparty exposure or indirect exposure (e.g. exposure to underlying assets through the use of derivative instruments, securities lending and borrowing or repurchase agreement).

**Management risk** For any given Sub-Fund, there is a risk that investment techniques and or strategies are unsuccessful and may incur losses for the Sub-Fund. Shareholders will have no right or power to participate in the day-to-day management or control of the business of the Sub-Funds, nor an opportunity to evaluate the specific investments made by the Sub-Funds or the terms of any of such investments.

Past performance is not a reliable indicator as to future performance. The nature of and risks associated with the Sub-Fund's future performance may differ materially from those investments and strategies historically undertaken by the Investment Manager. There can be no assurance that the Investment Manager will realise returns comparable to those achieved in the past or generally available on the market.

**Market risk** Some markets in which Sub-Fund may invest may prove at times to be highly volatile or insufficiently liquid. This may affect significantly the market price of such a Sub-Fund's securities and, therefore its NAV.

**Political, regulatory, economic and convertibility risk** Some geographical areas in which the Sub-Funds may invest (including but not limited to Asia, the Eurozone and the US) may be affected by economic or political events or measures, changes in government policies, laws or tax regulations, currency convertibility, or by currency redenomination, restrictions on foreign investments, and more generally by economic and financial difficulties. In such contexts, volatility, liquidity, credit, and currency risks may increase and adversely impact the NAV of the Sub-Fund.

**Rating downgrade risk** Downgrades of a rating of securities issue or issuer may lead to a drop in the value of securities in which the Sub-Fund has invested and subsequently experiencing a drop in the NAV of the Sub-Funds. Such securities may have

less liquidity, making it more difficult to sell and their values may be more volatile. The Investment Manager may or may not be able to dispose of the debt instruments that are being downgraded.

**Securities financing transactions (temporary purchase and sale of securities, total return swaps) risk and financial guarantees (collateral) risk** Securities financing transactions (SFT) and related collateral may create risks for the Sub-Fund such as (i) counterparty risk (as described above), ii) legal risk, iii) custody risk, iv) liquidity risk (i.e. risk resulting from the difficulty to buy, sell, terminate or value an asset or a transaction due to a lack of buyers, sellers, or counterparties), and, if relevant, v) risks arising from the reuse of such collateral (i.e. mainly the risk that such collateral posted by the Sub-Fund might not be returned due to the failure of the counterparty for example).

**Securities lending and repurchase or reverse repurchase agreement transactions risk** The Sub-Fund may enter into securities lending and repurchase or reverse repurchase agreement transactions, and may be subject to counterparty risk. The loaned securities may not be returned or returned in a timely manner and/or at a loss of rights in the collateral if the borrower or the lending agent defaults or fails financially and/or the value of the collateral may fall below the value of the securities lent out. The Sub-Fund may suffer significant losses.

In respect of repurchase agreements, in the event of the failure of the counterparty with which collateral has been placed, the Sub-Fund may suffer losses as there may be delays in recovering collateral placed out or the cash originally received may be less than the collateral placed with the counterparty due to inaccurate pricing of the collateral and/or market movements.

In respect of reverse repurchase agreements, in the event of the failure of the counterparty with which cash has been placed, the Sub-Fund may suffer losses as there may be delay in recovering cash placed out or difficulty in realising collateral or proceeds from the sale of the collateral may be less than the cash placed with the counterparty due to inaccurate pricing of the collateral and/or market movements.

### Sustainability Risks

The SICAV uses an approach to Sustainability Risks that is derived from the deep integration of ESG (environment, social and governance) criteria in its research and investment processes. For all the Sub-Funds within the SICAV and according to the investment strategy of each Sub-Fund, it has implemented a framework to integrate Sustainability Risks in investment decisions based on sustainability factors which relies notably on:

- Sectorial or/and normative exclusions
- ESG scoring methodologies

**Sectorial and normative exclusions** In order to manage ESG and sustainability tail-risks, the SICAV has implemented a series of exclusion-based policies. These policies are aimed at managing ESG and sustainability tail-risks, with a focus on:

- E: Climate (coal and tar sands), Biodiversity (ecosystem protection and deforestation),
- S: Health (Tobacco) and Human Rights (Controversial and White Phosphorus Weapons, violations of international norms and standards, countries with severe human rights violations)
- G: corruption (violations of international norms and standards, severe controversies and violation of United Nation Global Compact principles).

All Sub-Funds have implemented the following sectorial exclusion policies: Controversial Weapons, Soft Commodities, Ecosystem Protection and Deforestation, Climate Risks and Tobacco.

Sub-Funds which have ESG characteristics or which have sustainable investment as their objective have implemented additional ESG exclusions (White Phosphorus Weapons, violations of international norms and standards, breach of United Nation Global Compact principles, severe controversies, countries with severe human rights violations, low ESG quality).



All these exclusion policies aim to systematically address the most severe Sustainability Risks into the investment decision-making process. They may evolve over time. Detail of the restrictions and related criteria is available at : [Exclusion policies - AXA IM Global \(axa-im.com\)](https://www.axa-im.com/en/exclusion-policies)

**ESG scoring** AXA IM has implemented scoring methodologies to rate issuers on ESG criteria (corporates, sovereigns, green, social and sustainability bonds).

These methodologies are based on quantitative data from several data providers and have been obtained from non-financial information published by issuers and sovereigns as well as internal and external research. The data used in these methodologies include carbon emissions, water stress, health and safety at work, supply chain labour standards, business ethics, corruption and instability. AXA IM rates issuers on ESG criteria (corporates and sovereigns) based on quantitative data and/or qualitative assessment from internal and external research including data on carbon emissions, water stress, health and safety at work, supply chain labour standards, business ethics, corruption and instability. These ESG scores provide a standardized and holistic view on the performance of issuers on ESG factors and enable to both promote Environmental and Social factors and further incorporate ESG risks and opportunities in the investment decision.

AXA IM's ESG scoring methodology for corporates relies on a three-pillar and several sub-factors that covers the main issues encountered by businesses in the E, S and G fields. The frame of reference draws on fundamental principles, such as the United Nations Global Compact, the OECD Guidelines, the International Labour Organisation conventions, and other international principles and conventions that guide companies' activities in the field of sustainable development and social responsibility. The analysis is based on the most material ESG risks and opportunities previously identified for each sector and company, with 10 factors: Climate Change, Natural Capital, Pollution and Waste, Environmental Opportunities, Human Capital, Product Liability, Stakeholder Opposition, Social Opportunities, Corporate Governance and Corporate Behavior. The final ESG score also incorporates the concept of industry-dependent factors and deliberately differentiates between sectors, to overweight the most material factors for each industry. Materiality is not limited to impacts relating to a company's operations, it also includes the impacts on external stakeholders as well as the underlying reputational risk arising from a poor grasp of major ESG issues.

In the corporate methodology, the severity of controversies are assessed and monitored on an ongoing basis to make sure that the most material risks are reflected in the final ESG score. The controversies with high severity will trigger large penalties on the sub-factor scores and ultimately on the ESG scores.

These ESG scores provide a standardized and holistic view on the performance of issuers on ESG factors, and enable to further incorporate ESG risks in the investment decision.

One of the main limitations of this approach is related to the limited availability of data relevant to assess Sustainability Risks: such data is not yet systematically disclosed by issuers, and when disclosed may follow various methodologies. The investor should be aware that most of the ESG factors information is based on historical data and that they may not reflect the future ESG performance or risks of the investments.

For more details on the approach of integration of Sustainability Risks in investment decisions and the assessment of the likely impact of Sustainability Risks on each Sub-Fund's returns, please refer to the SFDR section of [www.axa-im.lu/important-information](https://www.axa-im.lu/important-information).

## SPECIFIC RISKS

For specific risk considerations applicable to any Sub-Fund, please refer to the "Sub-Fund Descriptions" section.

**144A securities risk** Some Sub-Funds may invest in restricted securities, in particular in 144A securities. 144A securities benefit

from an exemption from the registration obligation laid down by the 1933 "Securities Act" of the United States of America. These securities are restricted for resale to Qualified Institutional Buyers (QIBs), as defined by the 1933 "Securities Act" of the United States of America; therefore, administrative expenses are reduced due to this exemption. The 144A securities are traded between a limited number of QIBs, which may cause a higher price volatility and a lower asset liquidity of certain 144A securities.

**China market risk** Some Sub-Funds may invest in the Chinese domestic market. Investing in the securities markets in the PRC is subject to the risks of investing in emerging markets with a greater degree of risk than generally associated with similar investments in major securities markets, due, in particular, to political and regulatory factors, as described hereunder.

China domestic securities may be substantially less liquid and more volatile than those of mature markets. This may adversely affect the timing and pricing of the Sub-Fund's acquisition or disposal of securities.

The existence of a liquid trading market for A Shares may depend on whether there is a supply of, and demand for such A Shares. Securities exchanges in China typically have the right to suspend or limit trading in any security traded on the relevant exchange. In particular, trading bands are imposed by the stock exchanges in China on A Shares, where trading in any A share security on the relevant stock exchange may be suspended if the trading price of the security has increased or decreased to the extent beyond the trading band limit. A suspension will render it impossible for the Investment Manager to liquidate positions and can thereby expose the concerned Sub-Fund to losses. Further, when the suspension is subsequently lifted, it may not be possible for the Investment Manager to liquidate positions at a favorable price. The price at which securities may be purchased and sold by the Sub-Fund and the Net Asset Value of a Sub-Fund may be adversely affected if trading markets for A Shares are limited or absent.

Many of the PRC economic reforms are subject to adjustment and modification that may not always have a positive effect on foreign investment in the PRC market.

The legal infrastructure in PRC may not provide with the same degree of investors' protection or information to investors, as would generally apply to major securities markets. The recognized accounting, auditing, financial reporting practices and regulatory requirements may be significantly different from those in developed markets. Further, regulations continue to develop and may change quickly which may further delay redemptions or restrict liquidity.

PRC government may also exercise substantial influence over the private economic sector and investments may be affected by political and economic instability. The PRC government is entitled to apply nationalization, expropriation, confiscatory levels of taxation and currency blockage. Such event could adversely affect the interests of the SICAV and there is no assurance that such events will not occur in the future.

Moreover, factors such as PRC government policy, fiscal policy, interest rates, inflation, investor sentiment, the availability and cost of credit, the liquidity of the PRC financial markets and the level and volatility of equity prices could significantly affect the value of the SICAV's underlying investments and thus its share price.

Practices in relation to settlement of securities transactions involve higher risks than those in developed markets, in part because the SICAV needs to use local brokers, depositary and counterparties subject to different regulations compared to the other international developed markets. However, the Depositary is responsible for the proper selection and supervision of its correspondent banks in all relevant markets, in accordance with Luxembourg law and regulations. The SICAV will seek, where possible, to use counterparties whose financial status is such that this risk is reduced.

Moreover, as securities purchase transactions in China markets may require cash to be available in the custody account before trading, there may be a time lag before market exposure can be obtained after and the pricing point of a subscription; consequently the Sub-Fund may be under-exposed and subject to performance dilution risk. i.e. If markets rise between the day of the pricing point of the subscription into the Sub-Fund and the day the Sub-Fund is able to invest, Shareholders may see the performance of their investments diluted. Conversely, if markets fall between those two dates, Shareholders may benefit.

Both the Shanghai and Shenzhen securities markets are in the process of development and change. This may lead to trading volatility, difficulty in the settlement and recording of transactions and difficulty in interpreting and applying the relevant regulations. The PRC government has been developing a comprehensive system of commercial laws and considerable progress has been made in the promulgation of laws and regulations dealing with economic matters such as corporate organization and governance, foreign investment, commerce, taxation and trade. Because these laws, regulations and legal requirements are relatively recent, their interpretation and enforcement involve uncertainties.

Investments in the PRC will be sensitive to any significant change in political, social or economic policy in the PRC. Such sensitivity may, for the reasons specified above, adversely affect the capital growth and thus the performance of these investments.

**Call and put options risk** A Sub-Fund may enter into strategies to buy and / or sell call options and / or put options. There are risks associated with the sale and purchase of options, and those risks may differ depending on the option type (call or put) and the type of strategy (purchase or sell).

- The buyer of a call option or a put option assumes the risk of losing his entire investment in the option. The maximum loss is the premium paid for the option.
- When selling (writing) calls or puts, the maximum gain is the premium corresponding to the sale of these options.  
In particular, the seller of an uncovered call option (e.g. the writer does not hold the underlying security) assumes the risk of a theoretically unlimited increase in the market price of the underlying security above the exercise price of the option. In the case of covered call writing, when the Sub-Fund sells a call option owning the underlying stock, the risk is that potential gains in the stock may be offset by losses of the call option.
- Generally, investors should be aware that, where a Sub-Fund employs a strategy of writing call options, this could result in underperformance in a rising market where any capital appreciation in the underlying securities of the Sub-Fund could be offset by losses on sold (exercised) call options.

**Collateralized debt obligations securities markets risk** Securities issued by Collateralized Debt Obligations ("CDO Securities") are generally limited recourse obligations of the issuers thereof payable solely from the underlying assets ("CDO Assets") of the relevant issuers or proceeds thereof. Consequently, holders of CDO Securities including the SICAV must rely solely on distributions on the CDO Assets or proceeds thereof for payment in respect thereof. In addition, interest payments on CDO Securities (other than the most senior tranche or tranches of a given issue) are generally subject to deferral. If distributions on the CDO Assets (or, in the case of a market value CDO Securities - as explained hereinafter) - proceeds from the sale of the CDO Assets are insufficient to make payments on the CDO Securities, no other assets will be available for payment of the deficiency and following realization of the underlying assets, the obligations of the issuers of the related CDO Securities to pay such deficiency including to the SICAV will be extinguished.

With a market value CDO deal, principal and interest payments to investors come from both collateral cash flows as well as sales of collateral. Payments to tranches are not contingent on the

adequacy of the collateral's cash flows, but rather the adequacy of its market value. Should the market value of collateral drop below a certain level, payments are suspended to the equity tranche. If it falls even further, more senior tranches are impacted. An advantage of a market value CDO is the added flexibility they afford to the investment manager. It is not constrained by a need to match the cash flows of collateral to those of the various tranches.

CDO Assets consist primarily of Sub-Investment Grade loans, interests in Sub-Investment Grade loans, Sub-Investment Grade debt securities and other debt instruments, which are subject to liquidity, market value, credit, interest rate, reinvestment and certain other risks. The CDO Assets will generally be subject to greater risks than Investment Grade corporate obligations. Such investments are normally considered speculative by nature. CDO Assets are typically actively managed by an investment manager and, as a result, CDO Assets will be traded, subject to rating agencies and other constraints, by such investment managers. The aggregate return on the CDO Assets will depend in part on the ability of the relevant investment manager to actively manage the related portfolio of the CDO Assets.

The CDO Assets will be subject to certain portfolio restrictions as set forth herein. However, the concentration of the CDO Assets in any one securities type subjects the holders of CDOs to a greater degree of risk with respect to defaults on the CDO Assets.

The CDO Assets are subject to credit, liquidity, market value, interest rate and certain other risks. These risks could be exacerbated to the extent that the portfolio is concentrated in one or more particular CDO Assets.

CDO Securities are in general privately placed and offer less liquidity than other Investment Grade or Sub-Investment Grade corporate debt. They are also generally issued in structured transactions with risks different from regular corporate debt. In addition, the assets collateralizing market value CDO Securities are subject to liquidation upon the failure of certain tests, and it is likely that any such liquidation would result in a substantial loss of value of the related market value CDO Securities.

Prices of the CDO Assets may be volatile and will generally fluctuate due to a variety of factors that are inherently difficult to predict, including but not limited to changes in interest rates, prevailing credit spreads, general economic conditions, financial market conditions, domestic and international economic or political events, developments or trends in any particular industry, and the financial condition of the obligors of the CDO Assets. In addition, the ability of the issuer to sell CDO Assets prior to maturity is subject to certain restrictions set forth in the offering and constitutive documents of the relevant CDO.

**Convertible securities risk** Certain Sub-Funds may invest in convertible securities which are corporate securities, being a hybrid between debt and equity, generally offering fixed interest or dividend yields which may be converted either at a stated price or rate for common or preferred stock at specified times during the life of the convertible securities. Although to a lesser extent than with fixed income securities generally, the market value of convertible securities tends to decline as interest rates rise. Because of the conversion feature, the market value of convertible securities also tends to vary with fluctuations in the market value of the underlying common or preferred stock and is more volatile than straight bond investments. Convertible bonds may also have call provisions and other features which may give rise to the risk of a call. The value and performance of the Sub-Fund may also be adversely affected as a result.

Investments in convertible securities are subject to the same interest rate risk, credit risk, liquidity risk and prepayment risks associated with comparable conventional corporate bonds. Price changes in fixed interest securities are influenced significantly by interest rate developments in the capital markets, which in turn are influenced by macro-economic factors. The value of convertible securities also may be affected by changes in the credit rating, liquidity or financial condition of the issuer. The Sub-Fund may

also be exposed to the credit and insolvency risks of the issuers of the securities. The NAV of the Sub-Fund may be adversely affected.

**Derivatives and leverage risk** A Sub-Fund may use both listed (including but not limited to futures and options) and/or OTC derivatives (including but not limited to options, forwards, interest rate swaps and credit derivatives) as part of its investment strategy for investment, and/or hedging and/or efficient portfolio management purposes, but also as applicable repurchase, reverse repurchase or securities lending agreement. These instruments are volatile and may be subject to various types of risks, including but not limited to market risk, liquidity risk, credit risk, counterparty risk, valuation risk, volatility risk, legal risk and operations risks. In addition, the use of derivatives can involve significant economic leverage and may, in some cases, involve a significant risk of loss. The low initial margin deposits normally required to establish a position in such instruments permits leverage. As a result, a relatively small movement in the price of the contract and/or of one of its parameters may result in a profit or a loss that is high in proportion to the amount of assets actually placed as initial margin and may result in unlimited further loss exceeding any margin deposited. Investments in OTC derivatives may have limited secondary market liquidity and it may be difficult to assess the value of such a position and its exposure to risk. There can be no guarantee that strategies using derivative instruments will meet this expected target. Furthermore, when used for hedging purposes, there may be an imperfect correlation between these instruments and the investments or market sectors being hedged.

Transactions in OTC derivatives, such as credit derivatives, may involve additional risk, as there is no exchange market on which to close out an open position. It may be difficult to assess the value of a position and its exposure to risk or to liquidate an existing position.

In addition to derivative instruments, the Investment Manager may use repurchase or securities lending agreements in the investment program of the Sub-Fund. These techniques may increase the leverage of the Sub-Fund and its volatility. Moreover, the costs associated with leverage and borrowings will affect the operating results of the Sub-Fund.

Whether any margin deposit will be required for OTC options and other OTC instruments, such as currency forwards, swaps and certain other derivative instruments will depend on the credit determinations and specific agreements of the parties to the transaction, which are individually negotiated.

**Defaulted Securities risk** A Sub-Fund may hold Defaulted Securities that may become illiquid. The risk of loss due to default may also be considerably greater with lower-quality securities because they are generally unsecured and are often subordinated to other creditors of the issuer. If the issuer of a security in a Sub-Fund's portfolio defaults, the Sub-Fund may suffer unrealised losses on the security, which may lower the Sub-Fund's Net Asset Value per Share. Defaulted Securities typically exhibit prices that are highly discounted to their face value.

**Distressed Securities risk** A Sub-Fund may hold Distressed Securities. Distressed Securities are speculative and involve significant risk. Distressed Securities frequently do not produce income while they are outstanding and may require a Sub-Fund to bear certain extraordinary expenses in order to protect and recover its holding. Therefore, to the extent the Sub-Fund seeks capital appreciation, the Sub-Fund's ability to achieve current income for its Shareholders may be diminished by its holding of Distressed Securities. The Sub-Fund will also be subject to significant uncertainty as to when and in what manner and for what value the obligations evidenced by the Distressed Securities will eventually be satisfied (e.g., through a liquidation of the obligor's assets, an exchange offer or plan of reorganisation involving the Distressed Securities or a payment of some amount in satisfaction of the obligation). In addition, even if an exchange offer is made or a plan of reorganisation is adopted with respect to Distressed

Securities held by the Sub-Fund, there can be no assurance that the securities or other assets received by the Sub-Fund in connection with such exchange offer or plan of reorganisation will not have a lower value or income potential than may have been initially anticipated. Moreover, any securities received by the Sub-Fund upon completion of an exchange offer or plan of reorganisation may be restricted as to resale. As a result of the Sub-Fund's participation in negotiations with respect to any exchange offer or plan of reorganisation with respect to an issuer of Distressed Securities, the Sub-Fund may be restricted from disposing quickly of such securities.

**Downgrading of securities into Sub-Investment Grade and/or unrated debt securities risk** A Sub-Fund may invest in Investment Grade debt securities. Investment Grade debt securities which the Sub-Fund acquired may subsequently be downgraded to Sub-Investment Grade. Downgrading of such debt securities will lead to reduced value of the securities concerned thereby causing losses to the Sub-Fund. The market of Sub-Investment Grade and/or unrated debt securities may be less active, making it more difficult to sell the securities. Larger credit spreads will generally be adopted in the valuation of securities issued by issuers with lower credit rating. Valuation of such securities is more difficult and thus the Sub-Fund's price may be more volatile. The investment value of such securities held by the Sub-Funds may be adversely affected. Sub-Investment Grade and/or unrated debt securities are generally subject to lower liquidity, higher volatility and greater risk of loss of principal and interest than Investment Grade securities.

**Emerging markets risk** Some of the securities held in the concerned Sub-Fund may involve a greater degree of risk than generally associated with similar investments in major securities markets, due, in particular, to political and regulatory factors, as described hereunder.

The prospects for economic growth in a number of these markets are considerable and returns have the potential to exceed those in mature markets where growth is achieved. Investments in emerging markets offer diversification opportunities as correlations between those markets and other markets could be low. However, price and currency volatility are generally higher in emerging markets.

Emerging markets securities may be substantially less liquid and more volatile than those of mature markets. Securities of companies located in emerging markets may be held by a limited number of persons. This may adversely affect the timing and pricing of the Sub-Funds' acquisition or disposal of securities.

Practices in relation to settlement of securities transactions in emerging markets involve higher risks than those in developed markets, in part because the Sub-Funds will need to use brokers and counterparties, which are less well capitalised, and custody and registration of assets in some countries may be unreliable. However, the Depositary is responsible for the proper selection and supervision of its correspondent banks in all relevant markets, in accordance with Luxembourg laws and regulations.

The SICAV will seek, where possible, to use counterparties, whose financial status is sound such that this risk is reduced. However, there can be no certainty that the SICAV will be successful in eliminating this risk for the Sub-Funds, particularly as counterparties operating in emerging markets frequently lack the substance or financial resources of those in developed countries.

The legal infrastructure in certain countries in which investments may be made may not provide the same degree of investors' protection or information to investors as would generally apply to major securities markets. Generally accepted accounting, auditing and financial reporting practices in emerging markets may be significantly different from those in developed markets. Compared to mature markets, some emerging markets may have a low level of regulations, enforcement of regulations and monitoring of investors' activities. Those activities may include practices such as trading on material non-public information.



Some governments exercise substantial influence over the private economic sector and investments may be affected by political and economic instability. In adverse social and political circumstances, governments have been involved in policies of expropriation, confiscatory taxation, nationalization, intervention in the securities market and trade settlement and imposition of foreign investment restrictions and exchange controls, and these could be repeated in the future. In addition to withholding taxes on investment income, some emerging markets may impose differential capital gain taxes on foreign investors.

For example, in a number of emerging markets, registrars are not subject to effective government supervision, nor are they always independent from issuers. The possibility of fraud, negligence, undue influence being exerted by the issuer or refusal to recognize ownership exists, which, along with other factors, could result in the registration of a shareholding being completely lost. Therefore, investors should be aware that the Sub-Funds may suffer loss arising from this type of registration problem and may have no successful claim for compensation.

**ESG risk** Applying ESG and sustainability criteria to the investment process may exclude securities of certain issuers for non-investment reasons and therefore some market opportunities available to funds that do not use ESG or sustainability criteria may be unavailable for the relevant Sub-Funds, and the relevant Sub-Funds' performance may at times be better or worse than the performance of comparable funds that do not use ESG or sustainability criteria. The selection of assets may in part rely on AXA IM's ESG scoring methodology, Carbon Intensity indicator, Gender Diversity at Board Level indicator, Water Intensity indicator or ban lists (as the case may be) that rely partially on third party data which may be subjective, incomplete, inaccurate or unavailable. The selection of securities may involve the Investment Manager's subjective judgement. The lack of common or harmonised definitions and labels integrating ESG and sustainability criteria at EU level may result in different approaches by managers when setting ESG objectives and determining that these objectives have been met by the funds they manage. This also means that it may be difficult to compare strategies integrating ESG and sustainability criteria to the extent that the selection and weightings applied to select investments may to a certain extent be subjective or based on metrics that may share the same name but have different underlying meanings. Investors should note that the subjective value that they may or may not assign to certain types of ESG criteria may differ substantially from the Investment Manager's methodology. The lack of harmonised definitions may also potentially result in certain investments not benefitting from preferential tax treatments or credits because ESG criteria are assessed differently than initially thought. As a result, there is a risk that the Investment Manager may incorrectly assess a security or issuer. Besides, the securities held by the relevant Sub-Funds may be subject to style drift which no longer meets the sustainability criteria or relevant ESG focus for investment. The Investment Manager may have to sell such security held by the relevant Sub-Funds which could incur transaction costs within the relevant Sub-Funds.

**Extension risk** An increase in interest rates could cause principal payments on a debt security, including perpetual bonds that have no maturity date, to be paid back slower than expected. For a callable security, an increase in interest rates may result that the security is not redeemed on its call date resulting in an extension of the expected maturity (increase of the effective duration), where the security may become more exposed and may face market value decrease.

**Impact investment risk** Certain Sub-Funds implement AXA IM impact approach for listed assets and their investment universe is limited to assets that meet specific criteria in relation with the Sustainable Development Goals established by the United Nations (intentionality, materiality, additionality, negative externality and measurability). As a result, their respective performance may be different from a fund implementing a similar investment strategy without impact approach. The selection of

assets may in part rely on third party data appreciated at the time of investment that may evolve over time.

**Global investments risk** Investments in foreign securities, i.e. securities denominated in a currency different from the Sub-Fund's Reference Currency, offer potential benefits not available from investments solely in securities denominated in the Sub-Fund's Reference Currency. However, it also involves significant risks that are not typically associated with investing in securities denominated in the Sub-Fund's Reference Currency. Indeed, foreign investments may be affected by movements of exchange rates, changes in laws or restrictions applicable to such investments and changes in exchange control regulations (e.g. currency blockage).

In addition, if a Sub-Fund offers unhedged currency Share Classes denominated in a currency different from the Sub-Fund's Reference Currency, the investor is exposed to foreign exchange risks at Share Class level as the value of this kind of Shares depends on the prevailing spot foreign exchange rate between the two currencies.

Issuers are generally subject to different accounting, auditing and financial reporting standards in different countries throughout the world. The volume of trading, the volatility of prices and the liquidity of issuers may vary in the markets of different countries. In addition, the level of government supervision and regulation of securities exchanges, securities dealers and listed and unlisted companies is different throughout the world. The laws of some countries may limit the Sub-Fund's ability to invest in securities of certain issuers located in those countries.

Different markets have different clearance and settlement procedures. Delays in settlement could result in temporary periods when a portion of the Sub-Fund's assets is uninvested and no return is earned thereon. The inability of the Sub-Fund to make intended securities purchases due to settlement problems could cause the Sub-Fund to miss attractive investments opportunities. Inability to dispose of Sub-Fund's securities due to settlement problems could result either in losses to the Sub-Fund, due to subsequent declines in value of the Sub-Fund's securities, or, if the Sub-Fund has entered into a contract to sell the securities, could result in possible liability to the purchaser.

With respect to certain countries, there is a possibility of expropriation or confiscatory taxation, imposition of withholding taxes on dividend or interest payments, limitations on the removal of Sub-Funds or other assets of the Sub-Funds, political or social instability or diplomatic developments, which could affect investments in those countries.

An issuer of securities may be domiciled in a country other than a country in which currency the instrument is denominated.

The values and relative yields of investments in the securities markets of different countries, and their associated risks, are expected to change independently of each other. Investments in sovereign debt obligations by the Sub-Funds involve risks not present in debt obligations of corporate issuers. The issuer of the debt or the governmental authorities that control the repayment of the debt may be unable or unwilling to repay principal or interest, when due in accordance with the terms of such debt, and the Sub-Funds may have limited recourse to compel payment in the event of a default.

Periods of economic uncertainty may result in volatility of market prices of sovereign debt and in turn the Sub-Fund's NAV. A sovereign debtor's willingness or ability to repay principal and pay interests in a timely manner may be affected by, among other factors, its cash flow situation, the extent of its foreign currency reserves, the availability of sufficient foreign exchange on the date a payment is due, the relative size of the debt service burden to the economy as a whole, the sovereign debtor's policy toward international lenders and the political constraints to which a sovereign debtor may be subject.

**Eurozone political, regulatory, economic and convertibility risks** Eurozone area in which some Sub-Funds may invest may

be affected by economic or political events or measures, changes in government policies, laws or tax regulations, currency convertibility, or by currency redenomination, restrictions on foreign investments, and more generally by economic and financial difficulties. More especially, economic and financial difficulties in Europe may spread within and outside Europe, the measures taken by the governments of the European countries, central banks and other authorities to address the economic and financial problems, such as austerity measures and reforms, may not work and such failure may result in adverse consequences, and there may be currency fluctuation. In such contexts, volatility, liquidity, credit, and currency risks may increase and adversely impact the NAV of the relevant Sub-Funds.

In light of the ongoing concerns on the sovereign debt risk of certain countries within the Eurozone, the relevant Sub-Funds' investments in the region may be subject to higher volatility, liquidity, currency and default risks. Any adverse events, such as credit downgrade of a sovereign or exit of EU members from the Eurozone, may have a negative impact on the value of the relevant Sub-Funds.

**Hedging and income enhancement strategies risk** Each Sub-Fund may engage in various portfolio strategies to attempt to reduce certain risks of its investments and to attempt to enhance return or may hold financial derivative instruments for hedging only. These strategies currently include the use of options, warrants, forward currency exchange contracts, swap and futures contracts and options on futures contracts. The ability to use these strategies may be limited by market conditions and regulatory limits and there can be no assurance that any of these strategies will meet the expected target. The success of the Sub-Fund's hedging strategy will depend, in part, on the Investment Manager's ability to assess correctly the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the portfolio investments being hedged. Since the characteristics of many securities change as markets change or time passes, the success of the Sub-Fund's hedging strategy will also be subject to the Investment Manager's ability to continually recalculate, readjust and execute hedges in an efficient and timely manner. While the Sub-Fund may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the Sub-Fund than if it had not engaged in such hedging transactions.

The adverse consequences of the use of options, warrants, foreign currency, swap and futures contracts and options on futures contracts may cause a loss to the Sub-Funds higher than the amount invested in these instruments. The global exposure to the said instruments may not exceed 100% of the NAV of the relevant Sub-Fund in the case of Sub-Funds using the commitment approach. Accordingly, the global risk associated with the investments of a Sub-Fund may amount to 200% of the NAV of the Sub-Fund. As temporary borrowing is allowed up to a maximum of 10%, the global risk can never exceed 210% of the NAV of the relevant Sub-Fund.

For Sub-Funds using the Value-at-Risk approach, the risk associated with the use of derivative instruments may not cause the Sub-Fund to exceed the level of Value-at-Risk indicated in the relevant "Sub-Fund Descriptions" section.

If the Investment Manager's predictions of movements in the direction of the securities, foreign currency and interest rate markets are inaccurate, the adverse consequences to a Sub-Fund may leave the Sub-Fund in a worse position than if such strategies were not used.

For a variety of reasons, the Investment Manager may not seek to establish a perfect correlation between the hedging instruments utilized and the portfolio holdings being hedged. Such an imperfect correlation may prevent the Sub-Fund from achieving the intended hedge or expose the Sub-Fund to a risk of loss. The Investment Manager may not hedge against a particular risk because it does not regard the probability of the risk occurring to be sufficiently high as to justify the cost of the hedge, or because

it does not foresee the occurrence of the risk. In adverse situation, the Sub-Fund's use of financial derivative instruments may become ineffective in hedging and the Sub-Fund may suffer significant losses.

Where a Sub-Fund enters into swap transactions it is exposed to a potential counterparty risk. In the case of insolvency or default of the swap counterparty, such event would affect the assets of the Sub-Fund.

**Warrants** Certain Sub-Funds may invest in equity-linked securities or equity-linked instruments such as warrants. The gearing effect of investment in warrants and the volatility of warrant prices make the risk attached to the investment in warrants higher than in the case with investment in equities.

**Inflation-linked products risk** Some Sub-Funds could deal with inflation linked products, such as inflation linked-bonds and/or inflation swaps. Inflation-linked bonds are special types of indexed bonds that are tied to indices that are calculated based on the rates of inflation for prior periods. The value of inflation-linked bonds generally fluctuates in response to changes in real interest rates. Real interest rates are tied to the relationship between nominal interest rates and the rate of inflation. If nominal interest rates increases at a faster rate than inflation, real interest rates might rise, leading to a decrease in value of inflation-linked bonds. Conversely, if inflation rises at a faster rate than nominal interest rates, real interest rates might decline and result in an increase in value of inflation-linked bonds.

If the Sub-Fund purchases inflation-linked bonds in the secondary market whose principal values have been adjusted upward due to inflation since issuance, the Sub-Fund may experience a loss if there is a subsequent period of deflation. Additionally, if the Sub-Fund purchases inflation-linked bonds in the secondary market which price has been adjusted upward due to real interest rates increasing, the Sub-Fund may experience a loss if real interest rates subsequently increase. If inflation is lower than expected during the period the Sub-Fund holds an inflation-linked bond, the Sub-Fund may earn less on the security than on a conventional bond.

If real interest rates rise (i.e. if interest rates rise for reasons other than inflation), the value of the inflation-linked bonds in the Sub-Fund's portfolio and the NAV of the Sub-Fund will decline. Moreover, because the principal amount of inflation-linked bonds would be adjusted downward during a period of deflation, the Sub-Fund will be subject to deflation risk with respect to its investments in these securities and the NAV of the Sub-Fund may be adversely affected. There can be no assurance that such indices will accurately measure the real rate of inflation.

Additionally, the market for inflation-linked bonds may be less developed or liquid, and more volatile, than certain other securities markets. There are a limited number of inflation-linked bonds that are currently available for the Sub-Funds to purchase, thus making the market less liquid and more volatile.

An inflation swap is an agreement between two counterparties to swap fixed rate payments on a notional amount for floating rate payments linked to an inflation index. The purchase (sale) of an inflation swap protection permits the Sub-Fund to enter into an inflation risk which is comparable with the sale (purchase) of a normal nominal bond in relation to an inflation-indexed bond: If actual inflation is higher (lower) than that expected at the time the transaction was entered into and accounted for in the price of the contract, the purchase (sale) of the inflation swap protection results in higher performance; in the opposite instance it results in lower performance than if the protection had not been bought (sold).

**Risks associated with investments in debt instruments with loss-absorption features ("LAP")** Certain Sub-Funds may invest in LAP which are subject to greater risks when compared to traditional debt instruments as such instruments are typically subject to the risk of being written down or converted to ordinary shares upon the occurrence of trigger event(s) (e.g. when the issuer is near or at the point of non-viability or when the issuer's

capital ratio falls to a specified level), which are likely to be outside of the issuer's control. Such trigger events are complex and difficult to predict and may result in a significant or total reduction in the value of such instruments.

In the event of the activation of a trigger, there may be potential price contagion and volatility to the entire asset class. LAP may also be exposed to liquidity, valuation and sector concentration risk.

**Contingent convertible bonds risk** In the framework of new banking regulations, banking institutions are required to increase their capital buffers and have therefore issued certain types of financial instrument known as subordinated contingent capital securities (often referred to as "CoCo" or "CoCos"). The main feature of a CoCo is its ability to absorb losses as required by banking regulations, but other corporate entities may also choose to issue them. CoCos are highly complex and are of high risk.

Under the terms of a CoCo, the instruments become loss absorbing upon certain triggering events, including events under the control of the management of the CoCo issuer which could cause the permanent write-down to zero of principal investment and / or accrued interest, or a conversion to equity that may coincide with the share price of the underlying equity being low. These triggering events may include (i) a deduction in the issuing bank's capital ratio below a pre-set limit, (ii) a regulatory authority making a subjective determination that an institution is "non-viable" or (iii) a national authority deciding to inject capital. Furthermore, the trigger event calculations may also be affected by changes in applicable accounting rules, the accounting policies of the issuer or its group and the application of these policies. Any such changes, including changes over which the issuer or its group has a discretion, may have a material adverse impact on its reported financial position and accordingly may give rise to the occurrence of a trigger event in circumstances where such a trigger event may not otherwise have occurred, notwithstanding the adverse impact this will have on the position of holders of the CoCos.

CoCos are valued relative to other debt securities in the issuer's capital structure, as well as equity, with an additional premium for the risk of conversion or write-down. The relative riskiness of different CoCos will depend mainly on the distance between the current capital ratio and the effective trigger level, which once reached would result in the CoCo being automatically written-down or converted into equity.

Interest payments on CoCos are discretionary. It is possible in certain circumstances for interest payments on certain CoCos to be cancelled in full or in part by the issuer, without prior notice to bondholders at any point, for any reason, and for any length of time. Therefore, there can be no assurances that investors will receive payments of interest in respect of CoCos. Unpaid interest may not be cumulative or payable at any time thereafter. Notwithstanding that interest not being paid or being paid only in part in respect of CoCos or the principal value of such instruments may be written down to zero, there may be no restriction on the issuer paying dividends on its ordinary shares or making pecuniary or other distributions to the holders of its ordinary shares or making payments on securities ranking *pari passu* with the CoCos resulting in other securities by the same issuer potentially performing better than CoCos.

While all CoCos (Additional Tier 1 (AT1) and Tier 2) are subject to conversion or write down when the issuing bank reaches the trigger level, for AT1s there is an additional source of risk for the investor in the form of coupon cancellation in a going concern situation. Coupon payments on AT1 instruments are entirely discretionary and may be cancelled by the issuer at any point, for any reason, and for any length of time. The cancellation of coupon payments on AT1 CoCos does not amount to an event of default. Cancelled payments do not accumulate and are instead written off. This significantly increases uncertainty in the valuation of AT1 instruments and may lead to mispricing of risk. Sub-Funds that may invest in CoCos can invest in both AT1 and Tier 2 CoCos.

CoCos generally rank senior to common stock in an issuer's capital structure and are consequently higher quality and entail less risk than the issuer's common stock; however, the risk involved in such securities is correlated to the solvency level and / or the access of the issuer to liquidity of the issuing financial institution.

The structure of CoCos is yet to be tested and there is some uncertainty as to how they may be impacted in regards to liquidity challenges and industry concentration in a stressed environment of deteriorating financial condition.

In stressed market conditions, the liquidity profile of the issuer can deteriorate significantly and it may be difficult to find a ready buyer which means that a significant discount may be required in order to sell it.

Concentration in investments at certain times in large positions and in a relatively limited number of securities, sectors or regions (especially Europe) will make the relevant Sub-Fund more subject to the risks associated with such concentration.

**Senior non-preferred debts risk** Certain Sub-Funds may invest in senior non-preferred debts. While these instruments are generally senior to subordinated debts, they may be subject to write-down or a conversion to equity shares upon the occurrence of a trigger event and will no longer fall under the creditor ranking hierarchy of the issuer. This may result in total loss of principal invested.

**Investments in small and/or micro-capitalisation universe risk** Investing in the small and/or micro-capitalisation universe implies specific liquidity risk. The possible lack of a liquid market may inhibit the ability of the relevant Sub-Funds to purchase or sell such investment at an advantageous price. The NAV of the Sub-Funds may be adversely affected. The stock of small and/or micro-capitalisation companies may have lower liquidity and their prices are more volatile to adverse economic developments than those of larger capitalisation companies in general.

**Investments in specific countries or geographical zones risk** Sub-Funds concentrating their investments in certain countries or geographical regions are therefore subject to the risks associated with concentrating investments in regions and the value of the Sub-Funds may be more volatile. The value of the Sub-Funds may be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting the regions. This type of strategy may lead to adverse consequences when target markets drop or encounter liquidity issues.

**Investments in specific sectors or asset classes risk** Certain Sub-Funds concentrate their investments in certain asset classes (commodities, real estate) or in companies of certain sectors of the economy (such as healthcare, consumer staples and services, telecommunications or real estate) and are therefore subject to the risks associated with concentrating investments in such classes and sectors. This type of strategy may lead to adverse consequences when such asset classes or sectors become less valued or less liquid and may be more volatile than that of a fund having a more diverse portfolio of investments.

**Investments in real estate securities and REITs risk** Investors should note that investing in Sub-Funds that are investing in listed securities of companies engaged in the real estate industry are subject to certain risks associated with direct ownership of real estate and with the real estate sector in general. For example, overbuilding; oversupply of, or reduced demand for, commercial and residential real estate; changes in market rental rates; potential declines in the value of real estate; risks related to general, local and international economic conditions; possible lack of availability of mortgage funds; extended vacancies of properties; increases in competition, property taxes and operating expenses; changes in zoning laws; costs resulting from the clean-up of, and liability to third parties for damages resulting from, environmental problems; casualty or condemnation losses; uninsured damages from floods, earthquakes or other natural disasters; limitations on and variations in rents; increases in interest rates; and depreciation of buildings over time, etc.



Besides, the value of real estate securities and REITs may be affected by the condition of the economy as a whole and by the changes related to the state and valuation of the real estate businesses which is of a cyclical nature, mainly sensitive to interest rate level and rental income. The REITs are impacted by the creditworthiness of the issuer of the investments and the level of taxes, liquidity of the credit markets and the real estate regulatory environment.

**Investment through the Stock Connect program risk** Some Sub-Funds may invest in the Chinese domestic market through the Stock Connect program.

#### *Regulatory risk*

The current regulations are subject to change which may have potential retrospective effect and there can be no assurance that the Stock Connect will not be abolished. New regulations may be issued from time to time by the regulators/stock exchanges in the PRC and Hong Kong in connection with operations, legal enforcement and cross-border trades under the Stock Connect. The concerned Sub-Fund may be adversely affected as a result of such changes.

#### *Investment limitations*

The Stock Connect is subject to quota limitations on daily basis. In particular, once the remaining balance of the relevant quota drops to zero or the daily quota is exceeded, buy orders will be rejected (although investors will be permitted to sell their cross-boundary securities regardless of the quota balance) and there is no certainty that the quota might be extended in the future. Therefore, quota limitations may restrict the concerned Sub-Fund's ability to invest in A Shares through the Stock Connect on a timely basis, and the concerned Sub-Fund may not be able to effectively pursue its investment strategy.

In addition, stock may be recalled from the scope of eligible stocks for trading via the Stock Connect and in such a case the stock can only be sold but restricted from being bought. This may affect the ability of the Sub-Fund to implement its investment strategy.

It is contemplated that Hong Kong stock exchange and PRC stock exchanges markets would reserve the right to suspend trading if necessary for ensuring an orderly and fair market and that risks are managed prudently. Consent from the relevant regulator would be sought before a suspension is triggered. Where a suspension is effected, the concerned Sub-Fund's ability to access the PRC market via Stock Connect will be adversely affected. In such event, the Sub-Fund's ability to achieve its investment objective could be negatively affected.

The Stock Connect will only operate on days when both the PRC and Hong Kong markets are open for trading and when banks in both markets are open on the corresponding settlement days. So it is possible that there are occasions when it is a normal trading day for the PRC market but the concerned Sub-Fund cannot carry out any A Shares trading via the Stock Connect where that day is not a trading day in Hong Kong. The concerned Sub-Fund may be subject to a risk of price fluctuations in A Shares during the time when the Stock Connect is not trading as a result.

#### *Pre-trade checking*

PRC regulations require that before an investor sells any share, there should be sufficient shares in the account; otherwise the Chinese Market Stock Exchange will reject the sell order concerned. Pre-trade checking will be carried out on A Share sell orders to ensure there is no over-selling.

#### *Operational risk*

The Stock Connect is premised on the functioning of the operational systems of the relevant market participants. Market participants are permitted to participate in this program subject to meeting certain information technology capability, risk management and other requirements as may be specified by the relevant exchange and/or clearing house. The securities regimes and legal systems of Hong Kong stock exchange and PRC stock exchanges differ significantly and market participants may need to address issues arising from the differences on an on-going basis.

There is no assurance that the system of the SEHK and market participants will function properly or will continue to be adapted to changes and developments in both markets. In the event that the relevant systems fail to function properly, trading in both markets through the program could be disrupted. The concerned Sub-Fund's ability to access the A Share market via the Stock Connect (and hence to pursue its investment strategy) may be adversely affected.

#### *Execution issues*

Stock Connect trades may, pursuant to the Stock Connect rules, be executed through one or multiple brokers. Given the pre-trade checking requirements, the Investment Manager may determine that it is in the interest of the concerned Sub-Fund that it only executes Stock Connect trades through a broker who is affiliated to the SICAV's local custodian that is an exchange participant. In that situation, whilst the Investment Manager will be cognizant of its best execution obligations, it will not have the ability to trade through multiple brokers and any switch to a new broker will not be possible without a commensurate change to the SICAV's local custody arrangements.

#### *Ownership of Stock Connect securities*

The recognition of the concerned Sub-Fund's ownership on the Stock Connect securities will be subject to applicable requirements, including laws relating to any disclosure of interest requirement or foreign shareholding restriction. It is uncertain whether the Chinese courts would recognise the ownership interest of the investors to allow them standing to take legal action against the Chinese entities in case disputes arise.

**Method and model risk** In seeking to achieve certain Sub-Funds' investment objectives, the relevant Investment Manager may use outcomes generated by proprietary quantitative analytical models owned and operated by the AXA IM Group of companies. Quantitative modelling is a very complex process involving hundreds of thousands of data points and settings encoded in computer software, and the Investment Manager and its affiliates review these codes and the various components to the models with a view to ensuring that they are appropriately adapted and calibrated to reflect the Investment Manager's view as to the potential implications of evolving external events and factors, including constantly changing economic, financial market and other conditions. This process involves the exercise of judgments and a number of inherent uncertainties. The Investment Manager's view, including those related to the optimal configuration, calibration and adaptation of the models, may change over time depending on evolving circumstances, on information that becomes available to the Investment Manager and its affiliates and on other factors.

While the Investment Manager attempts to ensure that the models are appropriately developed, operated and implemented on a continuing basis, sub-optimal calibrations of the models and similar issues may arise from time to time, and neither the Investment Manager nor any of its affiliates can guarantee that the models are in an optimal state of calibration and configuration at all times. Further, inadvertent human errors, trading errors, software development and implementation errors, and other types of errors are an inherent risk in complex quantitative investment management processes of the type the Investment Manager employs. While the Investment Manager's policy is to promptly address any such errors when identified, there can be no guarantee that the overall investment process will be without error or that it will produce the desired results. There can be no guarantee that the Investment Managers will be able to implement its quantitative strategies on an ongoing basis.

Allocation, selection and weighting of assets in certain Sub-Funds are performed by systematic models managed by the AXA IM's Equity Quant Investing team. It is possible that the design of the model may not result in the selection of the best performing assets. Besides, the use of systematic models by certain Sub-Funds may result in periodic rebalancing of the portfolio which

may incur greater transaction costs than funds that do not adopt systematic models.

**Net Asset Value fall risk** Under certain market conditions, the NAV variation of certain Sub-Funds may be very low or even negative.

**Perpetual Securities risk** These securities have no stated maturity date, and such securities would only be paid back at the issuer's discretion. The liquidity for such investments in stressed market environments may be limited, negatively impacting the price they may be sold at, which in turn may negatively impact the relevant Sub-Fund's performance.

**PRC tax consideration risk** Regarding the investment in the Chinese domestic market, some Sub-Funds may be affected by some tax considerations.

Under the prevailing PRC tax policy, there are certain tax incentives available to PRC companies with foreign investments. There can be no assurance, however, that the aforesaid tax incentives will not be abolished in the future. In addition, the SICAV may be subject to withholding and other taxes imposed in the PRC. The value of the SICAV's investments will be affected by taxation levied through the Investment Manager's QFI regime or through the Stock Connect, which the SICAV will be required to reimburse to the Investment Manager.

The tax laws, regulations and practice in the PRC are subject to change, and may be changed with retrospective effect. The interpretation and applicability of the tax law and regulations by PRC tax authorities are not as clear and transparent as those of more developed countries and may vary from region to region. In particular, effective from 17 November 2014 the PRC tax authorities have temporarily suspended the income tax payable on capital gains arising from securities trading of QFI and of the Stock Connect. Relevant tax authorities may in the future reactivate such a tax or withholding tax on realised gains by the QFI's Sub-Fund and through the Stock Connect from dealing in PRC securities. In light of this uncertainty and in order to meet this potential tax liability for capital gains, the Management Company reserves the right to provide for the tax on such gains and withhold the tax for the account of the SICAV. With respect to any provisions for tax which may become payable by the SICAV, the assessment of the likelihood of materializing and activating such provisions is performed by the Management Company at its sole discretion having regard to independent professional tax advice. The amount of any such tax provision will be disclosed in the accounts of the SICAV. If the actual applicable tax levied by PRC tax authorities is greater than that provided for by the SICAV so that there is a shortfall in the tax provision amount, investors should note that the NAV of the SICAV may suffer more than the tax provision amount as the SICAV will ultimately have to bear the additional tax liabilities. In this case, the existing and new Shareholders will be disadvantaged. On the other hand, if the actual applicable tax levied by PRC tax authorities is less than that provided for by the SICAV so that there is an excess in the tax provision amount, Shareholders who have redeemed the shares before PRC tax authorities' ruling, decision or guidance in this respect will be disadvantaged as they would have borne the loss from the SICAV's overprovision. In this case, the existing and new Shareholders may benefit if the difference between the tax provision and the actual taxation liability can be returned to the account of the SICAV as assets thereof. In addition, the value of the SICAV's investment in the PRC and the amount of its income and gains could also be adversely affected by an increase in rates of taxation or changes in the basis of taxation.

**Offshore RMB bond market risk** The offshore RMB bond market is a relatively small market which is more susceptible to volatility and illiquidity. The operation of the offshore RMB bond market as well as new issuances could be disrupted causing a fall in the NAV of a Sub-Fund should there be any promulgation of new rules which limit or restrict the ability of issuers to raise RMB by way of bond issuances and/or reversal or suspension of the

liberalization of the offshore RMB market by the relevant regulator(s).

**Reinvestment risk** Reinvestment risk is the risk that proceeds from bond coupons or redemptions may be reinvested at lower yields than that of the previous investment, due to the market conditions at the time that the proceeds are invested. The callability feature in corporate bonds, including perpetual bonds (bonds without maturity date), increases reinvestment risk as companies will call their bonds when they can issue bonds with a lower yield.

**RMB Currency risk** A majority of the concerned Sub-Fund's assets will be invested into investments denominated in RMB. There can be no assurance that RMB will not be subject to devaluation or revaluation. These may expose the Sub-Fund to exchange rate fluctuation and currency risk. RMB is currently not a freely convertible currency and subject to exchange controls and restrictions, the concerned Sub-Fund may be subject to higher transaction costs associated with currency conversion.

**Currency conversion risk for RMB denominated share class** Subscription and redemption of the shares of the Sub-Fund's RMB share class may involve currency conversion. Currency conversion will be conducted at the applicable exchange rate and subject to the applicable spread. Non-RMB based investors are exposed to foreign exchange risk and there is no guarantee that the value of RMB against the investors' base currencies (e.g. HKD) will not depreciate. Any depreciation of RMB could adversely affect the value of investor's investment in the Sub-Fund. The RMB is traded in both onshore and offshore markets. Although offshore RMB ("CNH") and onshore RMB ("CNY") are the same currency, they are traded in different and separate markets and may be traded at different rates. When converting the base currency of the Sub-Fund to RMB for the purposes of calculating the net asset value of a share class with a RMB reference currency, the CNH rate will be applied. Any divergence between CNH and CNY may adversely impact investors. As RMB is not freely convertible and is subject to exchange controls and restrictions, under exceptional circumstances, payment of redemptions and/or dividend payment in RMB may be delayed.

**QFI regime risk** Some Sub-Fund may invest directly in the Chinese domestic market via the QFI regime.

#### *QFI regime*

The rules and restrictions under QFI regime generally apply to the QFI as a whole and not simply to the investments made by the concerned Sub-Fund. The concerned Sub-Fund may therefore be adversely affected for reasons due to the investment activities by the QFI. For example, a Sub-Fund may be exposed to particular disclosure requirements or suffer from regulatory action linked to a breach of the QFI regulations by the QFI holder.

The QFI regime is relatively new, and the application of the QFI regime is subject to interpretation. The CSRC and the SAFE have been given wide discretions in the QFI regime and there is no precedent or certainty as to how these discretions might be exercised. Any changes to the relevant rules may have an adverse impact on investors' investment in the concerned Sub-Fund. In the worst scenario, the Investment Manager may determine that the concerned Sub-Fund shall be terminated if it is not legal or viable to operate the concerned Sub-Fund because of changes to the application of the relevant rules. The QFI regime imposes strict investment guidelines such as investments limitation on foreign ownership of holdings that might impact the performance and/or liquidity of the concerned Sub-Fund. Repatriations by QFIs are not subject to repatriation restrictions or prior approval, although authenticity and compliance reviews will be conducted, and the repatriation process may be subject to certain requirements set out in the relevant regulations (e.g. submission of certain documents when repatriating the realised cumulative profits). Completion of the repatriation process may be subject to delay. There is no assurance, however, that PRC rules and regulations will not change or that repatriation restrictions will not be imposed in the future. Any restrictions on repatriation of the invested capital



and net profits may impact on the concerned Sub-Fund's ability to meet redemption requests from the Shareholders. In extreme circumstances, the concerned Sub-Fund may incur significant loss due to limited investment capabilities, or may not be able to fully implement or pursue its investment objectives or strategy, due to QFI investment restrictions.

The current QFI laws, rules and regulations are subject to change, which may take retrospective effect. In addition, there can be no assurance that the QFI laws, rules and regulations will not be abolished. The concerned Sub-Fund, which invests in the PRC markets through the QFI status of the Investment Manager, may be adversely affected as a result of such changes.

#### *Risks regarding execution through PRC Broker*

As QFI holder, the Investment Manager will also select brokers ("PRC Brokers") to execute transactions for the SICAV in the PRC markets. There is a possibility that the SICAV may only appoint one PRC Broker.

If a single PRC Broker is appointed, the concerned Sub-Fund may not always pay the lowest commission available in the market. However, the SICAV shall, in the selection of PRC Brokers, have regard to factors such as the competitiveness of commissions rates, size of the relevant orders and execution standards. There is a risk that the concerned Sub-Fund may suffer losses from the default, bankruptcy or disqualification of the PRC Brokers. In such event, and the concerned Sub-Fund may also incur losses due to the acts or omissions of the PRC Brokers in the execution or settlement of any transaction or in the transfer of any funds or securities.

#### *Cash deposited with the PRC Custodian*

The Depositary has appointed a local custodian for the SICAV (the "PRC Custodian"), where the PRC Custodian will hold the assets of the concerned Sub-Fund invested in the PRC through the QFI regime held by AXA Investment Managers Paris. According to the current QFI regime, a QFI is allowed to appoint multiple local custodians. Investors should note that cash deposited in the cash account of the concerned Sub-Fund with the PRC Custodian will not be segregated but will be a debt owing from the PRC Custodian to the concerned Sub-Fund as a depositor. Such cash will be co-mingled with cash belonging to other clients of the PRC Custodian. In the event of bankruptcy or liquidation of the PRC Custodian, the concerned Sub-Fund will not have any proprietary rights to the cash deposited in such cash account, and the concerned Sub-Fund will become an unsecured creditor, ranking *pari passu* with all other unsecured creditors of the PRC Custodian. The concerned Sub-Fund may face difficulty and/or encounter delays in recovering such debt, or may not be able to recover it in full or at all, in which case the concerned Sub-Fund will suffer losses.

**Securitised assets and collateralised debt risk** A Sub-Fund may invest in securitised assets and collateralised debt (CLO, ABS, CDO, etc.) which may be highly illiquid and prone to substantial price volatility. These instruments are subject to greater credit, liquidity, market value, interest rate and certain other risks compared to other debt securities in general. Such financial instruments require complex legal and financial structuring and any related investment risk is heavily correlated with the quality of underlying assets which may be of various types (leveraged loans, bank loans, bank debt, debt securities, etc.), economic sectors and geographical zones. They are often exposed to extension and prepayment risks and risks that the payment obligations relating to the underlying assets are not met, which may adversely impact the return of the securities.

**Sovereign debt risk** The Sub-Funds may invest in sovereign debt. Certain countries are especially large debtors to commercial banks and foreign governments. Investment in such debt obligations, i.e. sovereign debt, issued or guaranteed by such governments or governmental entities involves a higher degree of risk including but not limited to political, social and economic risks. The governmental entity that controls the repayment of sovereign debt may not be able or willing to repay the principal and/or

interest when due in accordance with the terms of such debt. The value of investments of the Sub-Funds may be adversely affected. A governmental entity's willingness or ability to repay principal and interest due in a timely manner may be affected by, among other factors, its cash flow situation, the extent of its foreign reserves, the availability of sufficient foreign exchange on the date a payment is due, the relative size of the debt service burden to the economy as a whole, the governmental entity's policy towards the International Monetary Fund and the political constraints to which a governmental entity may be subject. Governmental entities may also be dependent on expected disbursements from foreign governments, multilateral agencies and others abroad to reduce principal and interest on their debt. In addition, there are no bankruptcy proceedings for such sovereign debt on which money to pay the debt obligations may be collected in whole or in part. Holders may be requested to participate in the rescheduling of such sovereign debt and to extend further loans to the issuers.

Certain Sub-Funds may be further subject to the risk of high concentration in debt securities issued by and/or guaranteed by a single sovereign issuer which is Sub-Investment Grade and/or unrated which is also subject to higher credit / default risk. In the event of a default of the sovereign issuer, these Sub-Funds may suffer significant loss.

**Sub-Investment Grade and unrated debt securities (High Yield) risk** Some of the Sub-Investment Grade securities and unrated debt securities (i.e. high yield securities) held in the Sub-Funds may involve increased credit and market risk; such securities are subject to greater risk of an issuer's inability to meet principal and interest payments on its obligations (credit risk) than Investment-Grade debt securities and may also be subject to higher price volatility and lower liquidity due to such factors as Interest Rate Sensitivity, market perception of the creditworthiness of the issuer and general market liquidity. The NAV of the Sub-Funds may be adversely affected. In selecting securities, the Sub-Funds will consider among other things, the price of the securities, and the issuer's financial history, condition, management and prospects. The Sub-Funds will endeavor to mitigate the risks associated with Sub-Investment Grade securities, by diversifying their holdings by issuer, industry and credit quality.

**Subordinated debts risk** A Sub-Fund may invest in subordinated debt, including perpetual debts that have no maturity date. Subordinated debt is debt which, in the case of insolvency of the issuer, ranks after senior debts in relation to repayment. Because subordinated debt is repayable after senior debts have been re-paid, the chance of receiving any repayment on insolvency is reduced and therefore subordinated debt represents a greater risk to the investor. These securities generally have a lower rating than senior debt issued by the same issuer.

Depending on the jurisdiction of the issuer, a financial regulator with supervisory authority may use statutory powers and deem the issuer of subordinated debt to have reached a point of non-viability, meaning that public intervention would be necessary. Under such conditions, some subordinated debt securities may absorb losses prior to bankruptcy.

The liquidity for such investments in stressed market environments may be limited, negatively impacting the price they may be sold at, which in turn may negatively impact the relevant Sub-Fund's performance.

**No guarantee equivalent to deposit protection** Investors should appreciate that investment in the Sub-Funds are not equivalent to placing the funds on deposit with a bank or deposit-taking company and is not protected by any government, government agency or other guarantee scheme which may be available to protect the holder of a bank deposit account.

**Reliability of credit ratings** Debt securities in which the Sub-Funds may invest are not required to be rated by a recognized rating agency. Investment Grade securities are securities rated at least BBB- by Standard & Poor's or equivalent rating by Moody's or Fitch or, in the case of unrated securities, debt securities that are, in the opinion of the Investment Manager, of equivalent quality. Investment Grade securities may be subject

to the risk of being downgraded to securities which are rated below "Investment grade" and/or have a lower credit rating.

The ratings of fixed-income securities by Standard & Poor's, Moody's and Fitch are a generally accepted barometer of credit risk. They are, however, subject to certain limitations from an investor's standpoint. The rating on an issuer is heavily weighted by past developments and does not necessarily reflect probable future conditions. There is frequently a lag between the time the rating is assigned and the time it is updated. In addition, there may be varying degrees of difference in credit risk of securities within each rating category. As such, credit ratings assigned by rating agencies do not guarantee the creditworthiness of the security and/or issuer at any times.

**Distribution out of / effectively out of capital risk** For Distributing Shares with share class identifier "gr", "ird", "fl" or "st", investors should be aware that dividends may be paid directly or effectively out of a Sub-Fund's capital at the Board of Directors' discretion. This may result in an immediate decrease in the NAV per Share of the distributing Shares. Payment of distribution out of a Sub-Fund's capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment, which may further decrease the NAV per Share and may also reduce the capital available for the Sub-Fund for future investment and capital growth. Distributing Shares with share class identifier "fl" may have a significant risk of capital erosion.

**Risk related to Distributing Shares with fixed dividend policy** Investment in Distributing Shares with fixed dividend policy are not an alternative to a savings account or fixed interest paying investment. The fixed dividend amount or rate is unrelated to expected or past income or capital gains of the relevant Sub-Fund. The dividend can thus be higher or lower than the income and capital gains that were effectively realised.

Distributing Shares with fixed dividend policy will continue to distribute in periods that the relevant Sub-Fund has negative returns or is making losses, which further reduces the Net Asset Value of the relevant Distributing Shares. Investors may not be able to get back the original investment amount.

Investors should note that a positive dividend yield does not imply a high or positive return. Also, Distributing Shares with fixed dividend policy based on a fixed rate per annum do not distribute a fixed amount and the constant percentage of dividend results in higher absolute dividends when the Net Asset Value of the relevant Distributing Shares is increasing, and lower absolute dividends when the Net Asset Value of the relevant Distributing Shares is decreasing.

# Risk Management Process

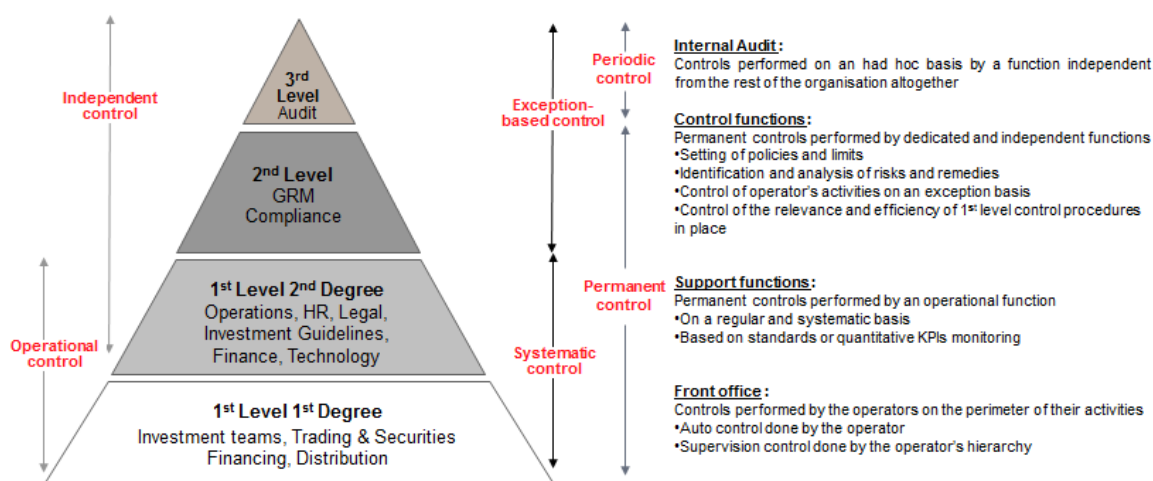
In accordance with the 2010 Law and the applicable regulations, the SICAV shall use a risk-management process which enables it to assess the exposure of each Sub-Fund to market, liquidity and counterparty risks, and to all other risks, including operational risks, which are material for the Sub-Funds.

As part of the risk management process, the SICAV uses the commitment approach to monitor and measure the global exposure of each Sub-Fund unless otherwise provided for under the “Sub-Fund Descriptions” section of this document. This approach measures the global exposure related to positions on derivatives and other efficient portfolio management techniques which may not exceed the total net value of the portfolio of the relevant Sub-Fund.

## Organization of the control levels and description of the teams

The Global Risk Management department (GRM) within the AXA IM Group is a global and fully integrated function, with local representatives contributing to the global risk management framework of the company, as it is the case in Luxembourg. This function is the main organ for risk management but other departments contribute to the global control structure of the company. This is the case amongst others for Compliance, Audit, Trade Management, Portfolio Controlling or Investment Guidelines monitoring.

The chart below presents the organization of the different levels of controls within AXA IM.



A high level description of the teams which form part of the global control infrastructure for AXA IM's funds is presented below:

## 1) Global Risk Management

### 1.1) Senior Expertise Risk Managers (SERM)

Senior Expertise Risk Managers (SERM) are independent risk management experts, specialized by Investment Platform, with a broad mandate to provide an independent oversight and assessment of all keys risks, current and emerging, which each Investment Team may be directly or indirectly exposed to, and to act as the key contact point between any such Investment Team and AXA IM's global risk management.

Within this mandate, SERM provide independent risk assessments on existing and new business, review investment processes implemented across each expertise, perform liquidity, capacity and performance reviews of investment strategies, and report on significant risk matters to global risk management governance bodies.

### 1.2) Investment Risk Analysis and Standards (IRAS)

Investment Risk Analysis and Standards (IRAS) is responsible for the identification, analysis, mitigation and second level control of investment and modeling risks throughout the different Investment Platforms.

IRAS is also responsible for the definition and validation of investment risk methodologies and valuation models used by AXA IM Group.

## 1.3) Global Operational Risk

Operational Risk Management is responsible for the identification, monitoring, reporting, assessment and second level, control of operational risks throughout the organization, as well as issuing and monitoring mitigation recommendations.

## 2) Operational Support & Service Management

This section does not present all the teams of the department but mainly focuses on teams dealing with daily controls.

### 2.1) Portfolio Control

Portfolio controllers are organized by Investment Platforms, they are responsible for the portfolios, mandates and funds' inventories, market parameters, new monies and NAV monitoring, validation or review.

### 2.2) Third Party Relationship Management

This team manages the service level agreements (SLA) with major service providers and to oversee their quality of service and improve the transversal process set up (delivery of the NAV, proxy voting).

### 2.3) Trade Management

Trade managers are responsible for flawless trade in and outflows between the different parties (traders, brokers and State Street as middle office). Trade managers also manage control processes during the different steps of settlements (orders, execution, matching with the counterparty, final decisions with the custodians and management of claims) and the operational relationship with brokers.

## 2.4) Investment Guidelines

The Investment Guidelines team ("IG") is in charge of the monitoring of all applicable regulatory, client (as detailed in the fund's legal documentation) and internal restrictions on the funds under management, rules implementation and the development of associated processes. The purpose is the prevention, the follow-up and the regularization of all breaches.

The investment constraints are monitored at two levels:

- by the portfolio manager (level 1, 1st degree) who is responsible for ensuring compliance with the investment guidelines,
- and the Investment Guidelines team (with potential internal delegation to Portfolio Control teams) (level 1, 2nd degree) who is responsible for a systematic and independent control with respect to investment guidelines. IG monitors investment guidelines, analyses alerts and ensures timely remediation of all breaches. On top of its own monitoring of investment constraints, the IG team receives the breaches detected by the Investment Compliance department of the fund administrator of the SICAV on a daily basis and reconciles it with its records.

## 3) Legal and Compliance

### 3.1) Compliance

All AXA IM entities undertaking investment activities have their own Compliance departments that are responsible for ensuring compliance with the regulatory requirements applicable to their entity and operations, the application of market best practices, as well as the preservation of the interest of all its customers. Compliance policies and requirements are monitored through specific controls by Compliance departments.

Each Compliance department is coordinated by a global Compliance function.

### 3.2) Legal

The legal department is organized around two main expertises: Legal Corporate and Legal Business. The Legal Corporate department deals with the legal affairs of the AXA IM Group and its subsidiaries. Within the AXA IM Group, this department provides support concerning Management Company and SICAV governance. The Legal Business department deals with funds' legal affairs. This department coordinates the elaboration of all "legal" documents relative to funds (contracts, prospectuses, ISDA, investment management agreements, etc.) and coordinates registration works.

## 4) Global Internal Audit (GIA)

The AXA IM Global Internal Audit function exists to provide an independent and objective assurance and consulting activity designed to add value and improve the organization's operations. It helps the organization to meet its objectives by bringing a systematic, disciplined approach to evaluate the effectiveness of risk management, control and governance processes.

This recognizes two roles for internal audit:

- To provide an independent assurance service to the Board, Audit and Risk Committee and Senior Management; focusing on reviewing the effectiveness of the governance, risk management and control processes that management has put in place; and,
- To provide advice to management on governance, risks and controls as part of its consulting role

The assurance provided generally covers whether:

- The organization has a formal governance process which is operating as intended: values and goals are established and communicated, the accomplishment of goals is monitored, accountability is ensured and the AXA IM Group's values are preserved.
- Significant risks are being managed and controlled to an acceptable level as determined by the Board.

AXA IM GIA's mission extends to those subsidiaries, businesses, activities and endeavours of the AXA IM Group where audit rights exist.

## 5) Locally,

Luxembourg: the Luxembourg-based staff has permanent interactions with all the departments and functions presented above for some operational, risk and compliance aspects. As an example, GRM is purely a global function with employees in all locations and the Luxembourg-based staff acts as the entry point and as a coordinator with the different global and local teams. Concerning operational risk this function is directly managed in Luxembourg with the support of local and global teams where needed.

For risk matters, AXA Investment Managers Paris (with the support of Luxembourg-based staff) reports to the Board of Directors of the SICAV it manages. Some statistics and indicators are presented, together with ad-hoc specific subjects (projects, issues, changes of processes and regulation changes, etc.).

## 6) Liquidity Risk Management

The Management Company has established a risk management policy and processes which enable it to identify, monitor and manage the risks of each Sub-Fund (including liquidity risk) and to ensure that the liquidity profile of the investments of each Sub-Fund will ensure compliance with the SICAV's obligation to meet redemption requests. Such policy, combined with the liquidity management tools of the Management Company, also seeks to achieve fair treatment of Shareholders and safeguard the interests of the remaining Shareholders in case of sizeable redemptions.

In seeking to manage the liquidity risk of the Sub-Funds, the Management Company's risk management policy takes into account the investment strategy, the liquidity profile, the redemption policy, the dealing frequency, the ability to enforce redemption limitations and the fair valuation policies of the Sub-Funds. These measures seek to ensure fair treatment and transparency for all investors.

Management of the liquidity risk of the Sub-Funds involves monitoring the profile of investments held by each Sub-Fund on an on-going basis to ensure that such investments are appropriate to the redemption policy as stated under the "Redeeming Shares" section of this document and will facilitate compliance with the SICAV's obligation to meet redemption requests. Further, periodic stress testing is carried out to manage the liquidity risk of the Sub-Funds under normal and exceptional market conditions.

The following tools may be employed by the Management Company to manage liquidity risks:

- each Sub-Fund shall not be bound to redeem on any Business Day more than 10% of the number of Shares relating to any Sub-Fund then in issue, as further described under the "Redeeming Shares" section of this document. If such limitation is imposed, this would restrict the ability of a Shareholder to redeem in full the Shares he intends to redeem on a particular Dealing Day;
- the Management Company may adopt a swing pricing mechanism. If the net subscriptions and redemptions based on the last available NAV on any Valuation Day exceed a certain threshold of the value of a Sub-Fund or a Share Class on that Valuation Day, as determined and reviewed on a periodic basis by the Management Company, the NAV may be adjusted respectively upwards or downwards to reflect the dealing and other costs that may be deemed to be incurred in buying or selling assets to satisfy net daily transactions, as further described under the "Swing Pricing" section of this document. As a result, the subscription price and redemption price may be adjusted upwards or downwards (as the case may be);



- the Management Company may temporarily suspend redemption under exceptional circumstances as set out under the “How NAV is Calculated” section of this document. During such period of suspension, Shareholders would not be able to redeem their Shares in the relevant Sub-Fund; and
- the Management Company may borrow up to 10% of the net assets of a Sub-Fund to meet redemption requests, provided that this borrowing is on a temporary basis. Please note that borrowing involves an increased degree of financial risk and may increase the exposure of the relevant Sub-Fund to factors such as rising interest rates, downturns in the economy or deterioration in the conditions of the assets underlying its investments. There can be no assurance that the relevant Sub-Fund will be able to borrow on favourable terms.

Investors should note that there is a risk that the above tools may be ineffective in managing liquidity and redemption risks in the Sub-Funds.



Overview of the controls in place

The below table summarises the controls in place for Luxembourg UCITS:

Risks in scope	Party responsible for controlling these risks	Key controls performed by the entity responsible for controlling such risk	Frequency of controls	Board's and Management Company's / Management of the Fund's monitoring procedures and controls	Frequency of monitoring controls
Risk of breach of regulatory investment restrictions or non compliance with the fund's investment policy, including overdraft monitoring	<b>1<sup>st</sup> level</b> Fund Managers	All controls in front office system to prevent or monitor constraints.	Daily	Escalation to the Board when a breach is not resolved in a timely manner.  Compliance report presented during Board Meetings which includes an overview and statistics about breaches and compensation occurred during the previous period.	On occurrence
	<b>2<sup>nd</sup> level, 1<sup>st</sup> degree</b> Administrative Agent  Investment Guidelines	Post-compliance check: investment restriction breaches are communicated on a daily basis to AXA Investment Managers Compliance function (with the support of Luxembourg-based staff), and AXA IM Investment Guidelines team by the Administrative Agent.  Then Investment Guidelines team monitors the breaches and arrange for regularization plan with Front Office functions.	Daily		Daily
	<b>2<sup>nd</sup> level, 2<sup>nd</sup> degree:</b> AXA Investment Managers Compliance function (with the support of Luxembourg-based staff)	Coordination of the breaches resolution and escalation in case of delay in the regularization. Validation of impact calculation and coordination of compensations.	On occurrence and weekly follow-up		Quarterly Yearly
Stale prices	<b>1<sup>st</sup> level:</b> Fund Managers	Illiquid and staled price report sent monthly by the administrator to AXA Investment Managers Paris (with the support of Luxembourg-based staff), including portfolios controllers and fund managers.	Continuous Monthly	Escalation to the Board for fair valuation process if necessary.  Compliance report presented during Board Meetings which includes an overview and statistics about stale prices.	At each Board Meeting
	<b>2<sup>nd</sup> level, 1<sup>st</sup> degree:</b> Portfolio Controllers	Ensure that price updates are received in a timely manner.	Continuous		
	<b>2<sup>nd</sup> level, 2<sup>nd</sup> degree:</b> AXA Investment Managers Paris (with the support of Luxembourg-based staff)  Global Risk Management	Prepare statistics based on the report from the fund administrators. Chase the fund managers and portfolio controllers to get prices update from brokers and escalate to the Board.  There is a Price Source Agreement (PSA) in place with the third party responsible for the fund accounting which outlines how all our securities should be priced. If however, a security cannot be priced using the PSA, these are considered as exceptions and price source is	On occurrence  On occurrence		

		obtained by AXA IM from an external provider/source.			
Liquidity Risk	<b>1<sup>st</sup> level:</b> Fund Managers	<p>Asset and portfolio liquidity is part of the asset selection and portfolio allocation processes.</p> <p>Fund managers are informed about daily net inflows and outflows by the transfer agent.</p> <p>In case of big outflows, the fund manager has to assess if this can be met in one shot, or if the application of the gating process is necessary.</p>	<p>Continuous</p> <p>Daily</p> <p>On occurrence</p>	<p>Escalation to senior risk committees in case of breaches and periodic status.</p> <p>Reporting to the Board on significant issues</p>	<p>At each committee meeting</p> <p>At each Board Meeting</p>
	<b>2<sup>nd</sup> level, 1<sup>st</sup> degree:</b> Global Risk Management	<p>To assess the liquidity profile of a Sub-Fund and determine its potential difficulties to meet its cash requirement to cover redemptions and other liabilities, GRM has designed a methodology that provides scores (normal and stressed conditions), called Liquidity Portfolio Score (LiPS), to each Sub-Fund. The LiPS measures the ability of a Sub-Fund to be converted into cash given the investors liquidity profile (assess via redemption assumptions) and the portfolio liquidity profile (assess via the Daily Tradable Amounts (DTA) of its different components). The DTAs are computed according to asset classes, observed traded volumes and characteristics of the instruments and adjusted by a factor that can reflect the global market liquidity under normal or stressed condition, after discussion with the fund managers, calculate and apply the gating process and monitor the correct application on the next applicable NAVs.</p>	<p>Continuous</p> <p>On occurrence</p>		
	Operations				
	AXA Investment Managers Paris (with the support of Luxembourg-based staff)				
	<b>2<sup>nd</sup> level, 2<sup>nd</sup> degree</b> Global Risk Management				
	AXA Investment Managers Paris (with the support of Luxembourg-based staff)	<p>Coordination of the breaches resolution and escalation in case of delay in the regularization. Reporting of breaches to the Board.</p>	<p>On occurrence</p>		
Coverage rules	<b>1<sup>st</sup> level:</b> Fund Managers	<p>The fund manager has to ensure that the Sub-Funds continuously hold sufficient cash and liquid asset to face the derivatives instrument commitment.</p>	<p>Continuous</p>	<p>Escalation to senior Risk committees in case of breaches and periodic status.</p>	<p>On occurrence</p>
	<b>2<sup>nd</sup> level, 1<sup>st</sup> degree</b> Fund administrator	<p>State Street Bank International GmbH, Luxembourg Branch monitors the coverage rule on a daily basis. In case of breaches</p>	<p>Daily</p>	<p>Reporting to the Board on significant issues</p>	<p>At each Board Meeting</p>

	Investment Guidelines	an alert is immediately sent to AXA Investment Managers Paris (with the support of Luxembourg-based staff), including AXA IM Investment Guidelines. The latter will then monitor the regularization of the breach with the Sub-Fund.			
	<b>2<sup>nd</sup> level, 2<sup>nd</sup> degree</b> Global Risk Management  AXA Investment Managers Compliance functions (with the support of Luxembourg-based staff)	In case of breach, further analysis can be needed. Periodic update to senior risk committees.  Coordination of the breaches resolution and escalation in case of delay in the regularization. Reporting of breaches to the Board.	On occurrence  On occurrence		
Market risk	<b>1<sup>st</sup> level</b> Fund Managers	The fund manager takes investment decisions in regards to market risks a Sub-Fund is exposed to. A system of internal rules and indicators has been set by GRM to monitor the significant market risks the Sub-Fund is exposed to. This gives support the fund manager in monitoring the market risks.	Continuous		
	<b>2<sup>nd</sup> level, 1<sup>st</sup> degree</b> Investment Guidelines  Portfolio Controllers	Monitoring of the systems limits and coordination of the regularization plans.	On occurrence		At each committee meeting and on occurrence
	<b>2<sup>nd</sup> level, 2<sup>nd</sup> degree</b> Global Risk Management  AXA Investment Managers Paris (with the support of Luxembourg-based staff)	For the purpose of market risk management and monitoring, GRM proposes, in coordination with the investment teams, investment guidelines at product level.  The guidelines cover a wide range of risks and indicators, such as (but not limited to): <ul style="list-style-type: none"> <li>• Leverage</li> <li>• Independent valuation checks of complex OTC derivatives</li> <li>• Stress-testing</li> <li>• Tracking error</li> </ul> Significant breaches are reported by GRM to senior risk committees.  Follow up the adequate resolution of deficiencies identified. Reporting to the Board	On occurrence	Escalation to senior risk committees in case of breaches and periodic status.  Reporting to the Board on significant issues.	On occurrence

Credit / counterparty risk	<b>1<sup>st</sup> level</b> Fund Managers  Stock lending agent	Based on rules and standards defined by GRM, monitoring of exposure to issuer and counterparties. The list of authorized counterparties is defined by GRM.	Continuous	Escalation to senior Risk committees in case of breaches and periodic status.  Reporting to the Board on significant issues.	Weekly and on occurrence  On occurrence
	<b>2<sup>nd</sup> level, 1<sup>st</sup> degree:</b> Investment Guidelines	Monitoring of limits set forth by GRM and coordination of remediation plans.	On occurrence		
	<b>2<sup>nd</sup> level, 2<sup>nd</sup> degree:</b> Global Risk Management	Credit risk is the aggregation of issuer risk and counterparty risk. GRM: <ul style="list-style-type: none"> <li>Assess risk of new issuers and counterparties</li> <li>Define thresholds and limits</li> <li>Analyse issuer and counterparty exposures reaching or exceeding thresholds and limits and propose remediation plans</li> </ul>	Counterparty risk (monthly monitoring)  Credit Risk (daily monitoring)		
	AXA Investment Managers Paris (with the support of Luxembourg-based staff)	Significant breaches are reported by GRM to senior risk committees.  Follow up the adequate resolution of deficiencies identified. Reporting to the Board.	On occurrence		
Settlement risk	<b>1<sup>st</sup> level:</b> Fund Manager and trading  Fund administrator	Ensure that settlement cycles of the assets are in line with funds ones and deal with counterparties approved by GRM.  Manage trade matching with counterpart and instruct the trade for settlement to the depository.	Continuous	Failed and late trade reports are part of the MIS pack produced by the fund administrator, available to senior management  Significant cases are reported to the board	Monthly On occurrence
	<b>2<sup>nd</sup> level, 1<sup>st</sup> degree:</b> Trade manager  Transfer Agent  Fund administrator and Depository	Monitor failed trades and coordinate with the fund administrator in securing the timely market settlement. Monitor and report and manage late payment of subscriptions.  Manages and report late of failed settlement on the asset side.	On occurrence  Daily  Monthly		
	<b>2<sup>nd</sup> level, 2<sup>nd</sup> degree:</b> AXA Investment Managers Paris (with the support of Luxembourg-based staff)	Monitor and manage significant late or failed settlement and reporting to the Board of significant issues	On occurrence		
Operational Risk	<b>1<sup>st</sup> level:</b> Fund managers, support functions, middle office, fund administrator, transfer agent, depositories	All departments and involved parties should have the adequate process to identify, monitor and resolve operational issues. In case of incident, such incident is logged, which includes a description of this incident which is accessible by some AXA Investment Managers Paris (with the support of Luxembourg-based staff teams),	Continuous	Organization of an <u>incident committee</u> depending on the incident. Luxembourg-based staff of AXA Investment Managers Paris participates systematically when the issue	On occurrence

		including AXA IM Operational Risk department.		concerns Luxembourg funds.	
	<b>2<sup>nd</sup> level, 1<sup>st</sup> degree:</b> Global New Business Committee	When a new fund is launched or <b>modified in such a way that it requires</b> a new process or a change of process, operational risk <b>impacts</b> are assessed.	On occurrence	Escalation to the incident committee and the Board when a breach is not resolved in a timely manner.	Daily
	Portfolio controllers, fund administrator, transfer agent	Analysis of issues, impact assessment and reporting to Operational Risk and to AXA Investment Managers Paris Luxembourg-based staff if needed.	On occurrence	Compliance report presented during Board Meetings which includes a description of significant issues.	Quarterly Yearly
	<b>2<sup>nd</sup> level, 2<sup>nd</sup> degree:</b> Operational Risk	Monitor and coordinate resolution of operational issues. Yearly consolidated mapping exercise at company level and reporting to senior management.	On occurrence and yearly		
	AXA Investment Managers Paris (with the support of Luxembourg-based staff)	Monitor and coordinate resolution of operational issues. Reporting to senior management and to the Board.	On occurrence		



# More about Derivatives

## TYPES OF DERIVATIVES THE SUB-FUNDS USE

Although the Sub-Funds do not rule out the use of any type of derivative, they generally expect to use the following types, among others:

- financial futures and options, such as futures or options on equities, interest rates, indices, bonds, currencies, commodity indices or other instruments
- forwards, such as foreign exchange contracts (currency forwards). Foreign exchange transactions for Sub-Funds may be carried out by a company within AXA acting as agent on the instruction of the Management Company and any of its duly appointed delegates at rates approved by the Management Company.
- swaps (contracts where two parties exchange the returns from two different assets, indices, or baskets of the same), such as foreign exchange, commodity index, interest rate, volatility and variance swaps
- total return swaps (contracts where one party transfers to another party the total performance of a reference obligation, including all interest, fee income, market gains or losses, and credit losses)
- credit derivatives, such as credit default derivatives, credit default swaps (contracts where a bankruptcy, default, or other “credit event” triggers a payment from one party to the other) and credit spread derivatives
- warrants
- mortgage TBAs (securities based on a pool of mortgages that has not yet been finalised but whose overall characteristics are specified)
- structured financial derivatives, such as credit-linked and equity-linked securities

Futures are generally exchange-traded. All other types of derivatives are generally OTC. For any index-linked derivatives, the index provider determines the rebalancing frequency. The cost is not significant to a Sub-Fund when an index is rebalanced.

In deciding when to use derivatives, and which ones to use, a Sub-Fund will consider such factors as liquidity, cost, efficiency, capacity to trade quickly, size, maturity of the investment and other relevant factors.

Any possible use of a total return swap or similar derivative by any Sub-Fund is described in “Sub-Fund Descriptions.”

## PURPOSES OF DERIVATIVES USE

Each Sub-Fund can use derivatives for the following purposes:

- hedging against market risk and currency risk
- gaining exposure to market, securities or issuer as described in the Sub-Fund’s “Objective and Investment Strategy” section
- efficient portfolio management (described below in “More About Efficient Portfolio Management”)
- any other legally permissible purpose that is described in the Sub-Fund’s “Objective and Investment Strategy” section, along with information about the general extent, nature and conditions of the usage.

## RISKS ASSOCIATED WITH INVESTMENTS IN FINANCIAL DERIVATIVE INSTRUMENTS (“FDI”)

**General risk** Certain Sub-Funds may use both listed (including but not limited to futures and options) and OTC derivatives (including but not limited to options, forwards, interest rate swaps and credit derivatives) extensively for investment purposes as well as for hedging or efficient portfolio management purposes. No specific strategy relating to FDI is adopted by the Management Company and the Investment Managers of the Sub-Funds.

Risks associated with financial derivative instruments include counterparty/credit risk, liquidity risk, valuation risk, volatility risk, and OTC risk. The leverage element of a financial derivative instrument can result in a loss significantly greater than the amount invested in the financial derivative instrument by the Sub-Funds. Exposure to financial derivative instruments may lead to a high risk of significant loss by the Sub-Funds.

Should the extensive use of derivatives be incorrect, ineffective or unsuccessful due to market conditions, the Sub-Fund may suffer a substantial loss or even a total loss, which will lead to an adverse effect on the NAV of the Sub-Fund. The prices of derivative instruments, including futures and options prices, are highly volatile. Price movements of forward contracts, futures contracts and other derivative contracts are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. In addition, governments from time to time intervene, directly and by regulation, in certain markets, particularly markets in currencies and interest rate related futures and options. Such intervention often is intended directly to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations.

The Sub-Funds may be invested in certain derivative instruments, which may involve the assumption of obligations as well as rights and assets. Assets deposited as margin with brokers may not be held in segregated accounts by the brokers and may therefore become available to the creditors of such brokers in the event of their insolvency or bankruptcy.

The Sub-Funds may from time to time utilize both exchange-traded, such as collateralized debt obligations, and OTC credit derivatives, such as credit default swaps as part of its investment policy and for hedging purposes. These instruments may be volatile, involve certain special risks and expose investors to a high risk of loss. The low initial margin deposits normally required to establish a position in such instruments permit a high degree of leverage. As a result, a relatively small movement in the price of a contract may result in a profit or a loss that is high in proportion to the amount of funds actually placed as initial margin and may result in loss substantially exceeding any margin deposited. Furthermore, when used for hedging purposes, there may be an imperfect correlation between these instruments and the investments or market sectors being hedged. Transactions in OTC derivatives, such as credit derivatives, may involve additional risk as there is no exchange market on which to close out an open position. The relevant Sub-Funds’ ability to use derivatives may be limited by market conditions, regulatory limits and tax considerations. These instruments involve certain special risks and may expose investors to a high risk of loss. Should the use of FDI be incorrect, ineffective or unsuccessful due to market conditions, the relevant Sub-Funds may suffer a substantial loss, having an adverse effect on the NAV of the relevant Shares.

**Counterparty risk** Some transactions in FDI by the Sub-Funds may be entered into with counterparties on an off exchange basis, more commonly referred to as OTC transactions. It should be noted that all OTC transactions expose the investor to the credit risk of the counterparty. In the event that the counterparty to the transaction is unable to meet or otherwise defaults on its obligations (for example due to bankruptcy or other financial difficulties), the relevant Sub-Funds may be exposed to significant losses greater than the cost of the FDI. The risk of default of the counterparty is directly linked to the creditworthiness of that counterparty. In respect of a default on a foreign exchange transaction, it is possible that the entire principal of a transaction could be lost in the event of a counterparty default.

Since the Sub-Funds are UCITS IV compliant, the relevant Sub-Funds’ exposure to single individual counterparty may not exceed

10% of the relevant Sub-Funds' FDI exposure on an aggregated basis. Counterparty risk may be further mitigated through the use of collateral agreements. However, collateral arrangement is still subject to the insolvency risk and credit risk of the issuers of the collateral. The Management Company ensures that a rigorous counterparty assessment and approval process is followed.

**Volatility risk** The relevant Sub-Funds may invest in FDI with different degree of volatility. The prices of derivative instruments, including futures and options prices, can be highly volatile. Price movements of forward contracts, futures contracts and other derivative contracts are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. In addition, governments from time to time intervene, directly and by regulation, in certain markets, particularly markets in currencies and interest rate related futures and options. Such intervention is often intended to directly influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations.

**Valuation risk** Investors should note that the relevant Sub-Funds may invest in FDI which can be difficult to value and may entail increased market risk. Incorrect valuation or pricing of derivatives may occur as many derivatives are complex and frequently valued subjectively. Independent pricing information may not at times be available. Such investments could expose the relevant Sub-Funds to losses greater than the cost of the FDI and may increase substantially the Sub-Funds' volatility, compared with a corresponding Sub-Fund which only uses FDI for hedging purposes.

**Leverage risk** The use of FDI may lead to a leverage effect. Higher degree of leverage may be inherent in trading of derivatives (i.e. the loan margin deposits normally required in derivative trading means that the derivative trading may be highly leveraged). Accordingly, a relatively small price movement in derivatives may result in an immediate and substantial loss to the relevant Sub-Funds; and may result in greater fluctuations and volatility of the NAV of the relevant Sub-Funds.

**Liquidity risk** The possible absence of a liquid market for any particular instrument at any particular time may inhibit the ability of the relevant Sub-Funds to value and liquidate the derivatives at an advantageous price.

**Other risks** The use of techniques and instruments also involves certain special risks, including:

1. dependence on the ability to predict movements in the prices of securities being hedged and movements in interest rates, securities prices and currency markets,
2. imperfect correlation between the price movements of the derivatives and price movements of related investments,
3. the fact that skills needed to use these instruments are different from those needed to select the Sub-Funds' securities
4. the possible absence of a liquid market for any particular instrument at any particular time,
5. possible impediments to effective portfolio management or the ability to meet redemptions,
6. the possible inability of the Sub-Funds to purchase or to sell a portfolio security at a time that otherwise would be favourable for it to do so,
7. possible losses arising from an unexpected application of law or regulation or arising as a result of the unenforceability of a contract,
8. possible legal risks arising in relation to derivative contract documentation, particularly issues arising relating to enforceability of contracts and limitations thereto and
9. settlement risk as when dealing with futures, forwards, swaps, contracts for differences the relevant Sub-Funds' liability may be potentially unlimited until the position is closed.

A list of FDI most commonly used and the additional risks involved are set out below:

- **Liquidity of futures contracts risk** Futures positions, such as bond futures contracts, may be illiquid because certain exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits." Under such daily limits, during a single trading day no trades may be executed at prices beyond the daily limits. Once the price of a contract for a particular future has increased or decreased by an amount equal to the daily limit, positions in the future can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. This could prevent a Sub-Fund from liquidating unfavourable positions.
- **Futures and option risk** The Investment Manager may engage in various portfolio strategies on behalf of the Sub-Funds through the use of futures and options, including call and put options on interest rate futures. Due to the nature of futures, cash to meet margin monies will be held by a broker with whom each Sub-Fund has an open position. In the event of the insolvency or bankruptcy of the broker, there can be no guarantee that such monies will be returned to each Sub-Fund. On execution of an option, the Sub-Funds may pay a premium to a counterparty. In the event of the insolvency or bankruptcy of the counterparty, the option premium may be lost in addition to any unrealised gains where the contract is in the money.
- **Forward trading** Forward contracts and options thereon, including foreign exchange forward contracts, unlike futures contracts, are not traded on exchanges and are not standardized; rather, banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and "cash" trading is substantially unregulated; there is no limitation on daily price movements and speculative position limits are not applicable. The principals who deal in the forward markets are not required to continue to make markets in the currencies they trade and these markets can experience periods of illiquidity, sometimes of significant duration. Market illiquidity or disruption could result in major losses to a Sub-Fund.
- **Over-the-Counter markets risk** Where any Sub-Fund acquires securities on over-the-counter markets, there is no guarantee that the Sub-Fund will be able to realise the fair value of such securities due to their tendency to have limited liquidity and comparatively high price volatility.
- **Credit Default Swap risk** Sub-Funds may in particular engage in the credit derivatives market by entering, i.e., into credit default swaps in order to sell or buy protection. A credit default swap ("CDS") is a bilateral financial contract in which one counterparty (the protection buyer) pays a periodic fee in return for a contingent payment by the protection seller following a credit event of a reference issuer. The protection buyer acquires the right to sell a particular bond or other designated reference obligations issued by the reference issuer for its par value or the right to receive the difference between par value and market price of the said bond or other designated reference obligations (or some other designated reference or strike price) when a credit event occurs. A credit event is commonly defined as bankruptcy, insolvency, receivership, material adverse restructuring of debt, or failure to meet payment obligations when due. The International Swap and Derivatives Association (ISDA) have produced standardized documentation for these derivatives transactions under the umbrella of its ISDA Master Agreement. The Sub-Fund may use credit derivatives in order to hedge the specific credit risk of some of the issuers in its portfolio by buying protection. In addition, the Sub-Fund may, provided it is in its exclusive interest, buy protection under credit derivatives without holding the underlying assets. Provided it is in its exclusive interest, the Sub-Fund may also sell protection under credit derivatives in order to acquire a specific credit exposure. The Sub-Fund will only enter into

OTC credit derivatives transactions with highly rated financial institutions specialized in this type of transaction and only in accordance with the standard terms laid down by the ISDA Master Agreement. The maximum exposure of the Sub-Fund may not exceed 100% of its net assets in the case it is using the commitment approach. For Sub-Funds using the Value-at-Risk approach, the risk associated with the use of derivative instruments may not cause the Sub-Fund to exceed the level of Value-at-Risk indicated in the relevant "Sub-Fund Descriptions" section of each Sub-Fund using the Value-at-Risk approach in order to control the risk associated with the use of said instruments.

- **Total return swaps (TRS) risk** The Sub-Fund may enter into TRS or other financial derivative transactions with similar characteristics. TRS are bilateral financial contracts whose purpose is to swap specific periodic payments over a certain period of time. The purpose of these transactions is set out in the Sub-Fund's Descriptions.

The Sub-Fund may enter into these contracts with any eligible financial institutions as selected in accordance with the order execution policy/ conflicts of interest policy details of which are available on our website.

# More about Efficient Portfolio Management

## GENERAL

The Management Company has appointed AXA Investment Managers GS Limited as the securities lending and repurchase agent pursuant to a delegation agreement dated 15 February 2013. Depending on the local licensing requirements of AXA Investment Managers GS Limited and/or the relevant Sub-Funds, it may, under its supervision, sub-delegate certain securities lending and repurchase agency services to AXA Investment Managers IF.

AXA Investment Managers GS Limited, AXA Investment Managers IF and the Management Company are affiliates companies belonging to AXA IM Group. In order to prevent any conflicts of interest and ensure best execution, AXA IM Group has put in place a conflicts of interest policy and a best execution policy, details of which are available on Our Policies | AXA IM Corporate (axa-im.com), and which provides respectively that (i) conflict of interests are mitigated in maintaining appropriate analyses mechanisms, controls and in ensuring that securities lending and repurchase agent are kept separate from the investment manager teams and (ii) that best execution is ensured by considering the best price achievable under current market conditions (including but not limited to size, relative demand of the transaction, duration of the trade), the nature of the transaction (including whether or not such transactions are subject to any regulatory requirements, underlying portfolio characteristics and objectives, client characteristics, type of financial instrument to be traded) and cost effectiveness of any related operational setup (e.g. triparty agent) and settlement; availability of execution venues or counterparties.

## Instruments and Techniques

In conducting efficient portfolio management operations, the Sub-Funds may use securities financing transactions (SFTs) such as securities lending, securities borrowing, repurchase and reverse repurchase transactions, and (as noted above) may use any allowable derivatives (including without limitation listed and OTC derivatives such as total return swaps), provided that such transactions and instruments are specifically described in the Sub-Fund Descriptions and are used under the conditions set out in this section “More about Efficient Portfolio Management” and CSSF circulars. The assets subject to SFTs and total return swaps and collateral received are safe-kept with the Depositary or, failing that, by any third party depositary (such as Euroclear Bank SA/NV) which is subject to a prudential supervision.

The Sub-Fund shall enter into any SFT or financial derivative instruments (including total return swaps) with counterparties subject to prudential supervision rules considered by the CSSF as equivalent to those prescribed by EU law and selected by the Management Company in accordance with its order execution policy available on its internet website. In this context, the Management Company will enter into any SFT or financial derivative instruments (including total return swaps) with credit institutions established under any legal form in an OECD member state having a long term debt rated at least BBB- according to the ratings scale of Standard & Poor's (or deemed equivalent by the Management Company).

Under no circumstances shall efficient portfolio management operations cause a Sub-Fund to diverge from its investment objective nor shall they entail any substantial supplementary risk.

The use of SFTs may incur fixed or variable brokerage fees and transaction costs relative to such techniques that will be disclosed in the annual report.

## Revenues

Any revenues from efficient portfolio management techniques will be returned to the SICAV, minus direct and indirect operational costs.

- Direct operational cost is defined as the cost directly attributable to the implementation of efficient portfolio management techniques (e.g. agent lender staff cost, trading platform cost, market data, collateral management and SWIFT messaging costs);
- Indirect cost is defined as the operational cost not directly attributable to the implementation of efficient portfolio management techniques (e.g. insurance fee, premises and facilities).

Repurchase and reverse repurchase: 100% of the gross revenue generated by the repurchase (if any) and the reverse repurchase activities will benefit to the SICAV.

Securities lending: Each Sub-Fund pays 35% of the gross revenues generated from securities lending activities as costs / fees to AXA Investment Managers GS Limited in its capacity of lending agent and retain 65% of the gross revenues generated from securities lending activities. The direct and indirect operational cost fees directly linked to securities lending activities including related transaction costs are paid from the lending agent's portion of the gross income (35%). Such direct and indirect operational costs and fees shall not include hidden revenue. AXA Investment Managers GS Limited is a related party to the Management Company and the Investment Manager of the Sub-Fund.

Additional Information on costs and fees incurred by each Sub-Fund in this respect, as well as the identity of the entities to which such costs and fees are paid and any affiliation they may have with the Depositary or the Investment Manager or the Management Company, if applicable, will be available in the annual report.

## Risks

Securities lending and repurchase transactions can carry risk, as described in “Risk Descriptions”, notably (i) counterparty risk, ii) legal risk, iii) custody risk, iv) liquidity risk, and, if relevant, v) risks arising from the reuse of such collateral. In addition, when entering into securities lending and repurchase transactions the Sub-Fund may be exposed to settlement risk (i.e. the possibility that one or more parties to the transactions will fail to deliver the assets at agreed-upon time). Repurchase transactions also have risks similar to those of derivative transactions. The risks associated with derivatives are described in other risk languages to be found in many places throughout this document.

## SECURITIES LENDING AND BORROWING

Unless further restricted by the investment policy of a specific Sub-Fund as described in the Sub-Fund Descriptions and provided that it complies with the following rules and the relevant CSSF circulars, each Sub-Fund may enter into securities lending and borrowing transactions governed by an agreement whereby a party transfers securities subject to a commitment that the borrower will return equivalent securities on a future date or when requested to do so by the transferor, that transaction being considered as a securities lending for the counterparty transferring the securities and being considered as securities borrowing for the counterparty to which they are transferred.

### Securities lending

All the securities lending transactions carried out on behalf of the SICAV will be on arm's length basis and that transactions will be limited to 90% of each Sub-Fund's NAV in any Valuation Day. Such limit could be reached when there is a high demand for the lendable assets available in the relevant Sub-Fund (e.g. change in the market volatility).



By entering into securities lending, the Sub-Fund seeks to enhance the return on a daily basis (the assets on loan will generate an incremental return for the Sub-Fund).

The expected percentage of net assets of securities lending is specified in the investment strategy of the Sub-Funds in the "Sub-Fund Descriptions" section of this document.

The Sub-Fund may enter into any securities lending transaction with counterparty selected on the basis of the following combined criteria: regulatory status, protection provided by local legislation, operational processes, available credit spreads and analyses and/or external credit ratings.

A Sub-Fund may only enter into securities lending transactions provided that (i) it is entitled at all times to request the return of the securities lent or to terminate any securities lending transactions and (ii) that these transactions do not jeopardize the management of the Sub-Fund's assets in accordance with its investment policy.

The risk exposure to a counterparty generated through a securities lending transaction or other efficient portfolio management techniques and OTC financial derivatives must be combined when calculating the limits referred to below under "Limits to Promote Diversification".

### **Securities borrowing**

The Sub-Fund may enter into any securities borrowing transaction with counterparties selected on the basis of the following combined criteria: regulatory status, protection provided by local legislation, operational processes, available credit spreads and analysis and/or external credit ratings.

The securities borrowed by the Sub-Fund may not be disposed of during the time they are held by the Sub-Fund, unless they are covered by sufficient financial instruments which enable the Sub-Fund to reconstitute the borrowed securities at the close of the transaction.

The borrowing transactions may not exceed 50% of the NAV of the Sub-Fund.

The Sub-Fund may borrow securities under the following circumstances in connection with the settlement of a sale transaction: (a) during a period where the securities have been sent out for re-registration; (b) when the securities have been loaned and not returned in time and (c) to avoid a failed settlement when the Depositary fails to make delivery.

## REPURCHASE AGREEMENT TRANSACTIONS

### Repurchase/reverse repurchase agreement transactions (repos/reverse repos)

All the repurchase agreement transactions carried out on behalf of the Sub-Funds will be on arm's length basis and that transactions will be limited to 100% of each Sub-Fund's NAV in any valuation day unless otherwise specified in the investment strategy of the Sub-Funds in the "Sub-Fund Descriptions" section of this document.

Unless further restricted by the investment policy of a specific Sub-Fund as described in the Sub-Fund Descriptions, a Sub-Fund may within the limit set out in the relevant CSSF circulars enter into repurchase agreement transactions which consist of transactions governed by an agreement whereby a party sells securities or instruments to a counterparty, with a clause reserving the counterparty or the Sub-Fund the right to repurchase or substitute securities or instruments of the same description, from respectively the Sub-Fund or the counterparty to a specified price on a future date specified, or to be specified, by the transferor.

Where a Sub-Fund uses repos/reverse repos, the expected and the maximum percentage of net assets of repo/reverse repos is specified in the investment strategy of the Sub-Funds in the "Sub-Fund Descriptions" section of this document. The maximum level may be attained when the portfolio manager, in the course of managing the Sub-Fund, needs to borrow cash (repo transaction) for example to cover margin call or when all remaining cash in the portfolio is temporary lent out (reverse repo) to generate additional return and lower custody cost.

Such transactions are commonly referred to as temporary purchases and sales of securities (also known as SFTs).

These transactions shall be conducted in accordance with the limit set out in the relevant circulars issued by the CSSF. They shall be carried out as part of the achievement of the investment objective of the Sub-Fund, hedging, cash management and/or efficient portfolio management.

The Sub-Fund may enter into any repurchase agreement or reverse repurchase agreement with a counterparty selected on the basis of the following combined criteria: regulatory status, protection provided by local legislation, operational processes, available credit spreads and analysis and/or external credit ratings.

A Sub-Fund may only enter into a repurchase agreement and/or a reverse repurchase agreement provided that it shall be able at any time (i) to recall any securities subject to the repurchase agreement respectively the full amount of cash in case of reverse repurchase agreement or (ii) to terminate the agreement in accordance with the relevant CSSF circulars being understood that fixed-term repurchase and reverse repurchase agreements that do not exceed seven days should be considered as arrangements on terms that allow the assets to be recalled at any time by the Sub-Fund.

Securities purchased with a repurchase option or through a reverse repurchase agreement transaction must be compliant with the relevant CSSF circulars and the Sub-Fund's investment policy and must together with the other securities that the Sub-Fund holds in its portfolio, globally respect the Sub-Fund's investment restrictions.

The risk exposure to a counterparty generated through those transactions or other efficient portfolio management techniques and OTC financial derivatives must be combined when calculating the limits referred to below "Limits to Promote Diversification".

See also the sub-section "Collateral Policies" below.

## TOTAL RETURN SWAPS

Unless further restricted by the investment policy of a specific Sub-Fund as described in the Sub-Fund Descriptions above, the SICAV may enter into total return swaps which are swap agreements in which one party (total return payer) transfers the

total economic performance of a reference obligation to the other party (total return receiver). Total economic performance includes income from interest and fees, gains or losses from market movements, and credit losses. These instruments will be carried out as part of the achievement of the investment objective of the Sub-Fund, hedging, cash management and/or efficient portfolio management.

Each Sub-Fund may incur costs and fees in connection with total return swaps, upon entering into total return swaps and/or any increase or decrease of their notional amount. The SICAV may pay fees and costs, such as brokerage fees and transaction costs, to agents or other third parties for services rendered in connection with total return swaps. Recipients of such fees and costs may be affiliated with the SICAV, the Management Company or the Investment Manager, as may be applicable, as permitted by applicable laws. Fees may be calculated as a percentage of revenues earned by the SICAV through the use of such total return swaps. The overall revenues or losses generated by the total return swaps agreements will be for the benefit of the Sub-Fund only. Details on these revenues/losses, the fees and costs incurred by the use of such total return swaps as well as the identity of the recipients thereof are contained in the SICAV's annual report.

The expected range of the proportion of the Sub-Fund's NAV subject to these instruments and disclosed in the Sub-Fund Descriptions is expressed as the mark-to-market value of the total return swap divided by the relevant Sub-Fund's NAV.

## COLLATERAL POLICIES

As part of OTC financial derivative transactions and securities lending and repurchase agreement transactions, a Sub-Fund may receive collateral with a view to reduce its counterparty risk.

### Eligible collateral

#### *General principles*

Collateral received by a Sub-Fund may be used to reduce its counterparty risk exposure with a counterparty if it complies with the criteria listed in circulars issued by the CSSF from time to time in terms of liquidity, valuation, issuer credit quality, correlation, risks linked to the management of collateral and enforceability. In particular, collateral should comply with the following conditions:

- Any collateral received other than cash should be of high quality, highly liquid and traded on a regulated market or multilateral trading facility with transparent pricing in order that it can be sold quickly at a price that is close to pre-sale valuation.
- It should be valued on a daily basis on a mark-to-market price basis and assets that exhibit high price volatility should not be accepted as collateral unless suitably conservative haircuts are in place. Margin calls will be implemented in accordance with the terms negotiated in the collateral arrangements.
- It should be issued by an entity that is independent from the counterparty and is expected not to display a high correlation with the performance of the counterparty.
- It should be sufficiently diversified in terms of country, markets and issuers and shall not entail on an aggregate basis an exposure to a given issuer for more than 20% of its NAV. By way of derogation, a Sub-Fund may be fully collateralised in different transferable securities or money market instruments issued or guaranteed by any of the member states, one or more of their local authorities, a third party sovereign country such as Canada, Japan, Norway, Switzerland and the United States of America, or any public international body to which one or more member state(s) belong(s) such as the European Investment Bank, provided that it receives such securities from at least six different issues and that securities from any single issue should not account for more than 30% of such Sub-Fund's Net Asset Value. The collateral shall further comply with the limits in

relation to “Limits to Prevent Concentration of Ownership” below.

- The financial guarantees received by the Sub-Fund will be kept by the Depositary or, failing that, by any third party depositary (such as Euroclear Bank SA/NV) which is subject to a prudential supervision and that has no link with the guarantee provider.
- It should be capable of being fully enforced by the SICAV for the account of the Sub-Fund at any time without reference to or approval from the counterparty.

#### Eligible assets

As long as it complies with the above-mentioned conditions, the collateral may consist of (i) sovereign OECD bonds; and/or (ii) direct investment in bonds issued or guaranteed by first class issuers offering an adequate liquidity or shares listed or dealt on a regulated market of a member state of the EU or on a stock exchange of a member state of the OECD provided that they are included in a main index.

#### Level of collateral

The Management Company will determine the required level of collateral for OTC financial derivative transactions and stock lending and repurchase agreement transactions according to the nature and the characteristics of the executed transactions, the counterparties and the market conditions.

The Management Company may carry out OTC financial derivative transactions with a level of collateral lower than 100% subject to be compliant with the counterparty risk authorised by the applicable regulations. For certain types of transactions such as, but not limited to, foreign exchange forward, the level of collateral may be equal to zero.

As part of its lending transactions, the Sub-Fund must in principle receive previously or simultaneously to the transfer of the securities lent a guarantee the value of which must at the conclusion of and constantly during the contract be at least equal to 90% of the global valuation of the securities lent.

#### Reinvestment of collateral

The Sub-Fund will be able to reinvest the financial guarantees received in cash in accordance with the applicable regulation. The financial guarantees other than cash cannot be sold, reinvested or pledged. The counterparty will be able to reinvest the financial guarantee received from the Sub-Fund in accordance with any regulation applicable to the counterparty. In particular, reinvested cash collateral must comply with the diversification requirements set forth here above under the section “Eligible collateral” and may only be (i) placed or deposited with entities eligible for deposit, (ii) invested in high-quality government bonds, (iii) used for the purpose of reverse repurchase transactions entered into with credit institutions subject to prudential supervision or (iv) invested in short term money market funds.

#### Haircut policy

In accordance with its internal policy relating to the management of the collateral, the Management Company shall determine:

- the required level of collateral; and
- the level of haircut applicable to the assets received as collateral, taking into account in particular the type of assets, the credit standing of the issuers, the maturity, the currency, the liquidity and the price volatility of the assets.

Despite the creditworthiness of the issuer of the assets received as collateral or the assets acquired by the Sub-Fund on the basis of cash collateral re-invested, the Sub-Fund may be subject to a risk of loss in case of default of the issuers of such assets or in case of default of the counterparties to transactions in which such cash has been re-invested.

Haircuts typically applied:

- OTC derivatives and repurchase agreements transactions:

Collateral Instrument Type	Haircut
Cash	0%
Sovereign debt	0 to 20%

• Securities lending transactions:

Collateral Instrument Type	Haircut
Cash	0%
Equities	10%
Sovereign debt	2 to 5%

AXA IM's Global Risk Management will specifically authorise any other type of collateral instruments and applicable haircuts.

# General Investment Rules for UCITS

This section summarises the rules for all UCITS concerning the assets in which they may legally invest and the limits and restrictions that they must follow. For more complete information, see the Articles of Incorporation or the 2010 Law itself.

Except to the extent that more restrictive rules are provided for in connection with a specific Sub-Fund as described in the relevant “Sub-Fund Descriptions” section, the investment policy of each Sub-Fund will comply with the rules described here.

The Board may impose additional investment guidelines for each Sub-Fund from time to time, for instance where it is necessary to comply with local laws and regulations in countries where Shares are distributed. In the case of any detected violation of the investment restrictions of the 2010 Law applicable at the level of a Sub-Fund, the Management Company/Investment Manager must make compliance with the relevant policies a priority in its securities trades and management decisions for the Sub-Fund, taking due account of the interests of Shareholders.

Except where noted, all percentages and restrictions apply to each Sub-Fund individually, and all asset percentages are measured as a percentage of total net assets of the specific Sub-Fund.

Each Sub-Fund and any sub-fund of target UCITS/UCI referred to below shall be considered as a separate UCITS/UCI provided that segregation of assets is ensured at the level of the Sub-Fund or the sub-fund of the target UCITS/UCI.

## Eligible Securities and Transactions

Each Sub-Fund's usage of any security, derivative, technique or transaction must be consistent with its investment strategy and must comply with applicable Luxembourg laws and regulations. No Sub-Fund can acquire assets that come with unlimited liability attached. No Sub-Fund can underwrite securities of other issuers. No Sub-Fund may issue warrants or other rights to subscribe for Shares in such Sub-Fund. No Sub-Fund may grant loans or guarantees in favor of a third party.

Sub-Funds may, within the limits set out in the 2010 Law, invest in other UCIs, including exchange traded funds provided that they are eligible securities in accordance with applicable Luxembourg laws and regulations. In particular, such UCIs shall be regulated and be compliant with article 2(2) and article 41 (1) e) of the 2010 Law. In addition, Sub-Funds may take exposure to alternative assets through the investment in units or shares of special purpose acquisition companies, listed closed-ended funds, including REITs of any legal form, having exposure to commodities, infrastructure, private equity and hedge funds strategies and/or real estate assets, provided that such units or shares qualify as eligible transferable securities under applicable Luxembourg laws and regulations.

Sub-Funds may, where mentioned in the relevant “Sub-Fund Descriptions” section and in compliance with article 41 (1) of the 2010 Law, invest in money market instruments, money market funds and bank deposits. For equity Sub-Funds, such investments may be made for treasury purposes and/or in case of unfavourable market conditions. For other Sub-Funds, such investments may be made in order to achieve their investment goals and/or for treasury purposes and/or in case of unfavourable market conditions.

Security/Transaction	Requirements	
<b>1. Transferable securities and money market instruments</b>	<ul style="list-style-type: none"> <li>Must be listed or traded on a regulated market as defined in the Council Directive 2004/39/EC dated 21 April 2004 on investment services in the securities field or on another regulated stock exchange that operates regularly and is recognized and open to the public, namely, a market (i) that meets the following cumulative criteria: liquidity; multilateral order matching; transparency; (ii) on which the securities are dealt in at a certain fixed frequency, (iii) which is recognized by a state or by a public authority which has been delegated by that state or by another entity which is recognized by that State or by that public authority such as a professional association and (iv) on which the securities dealt in are accessible to the public.</li> </ul>	<ul style="list-style-type: none"> <li>Must be admitted to official listing on a stock exchange in an Other State or dealt in on another regulated stock exchange (as defined in the point above) in an Other State.</li> <li>Recently issued securities must pledge to seek a listing on an official stock exchange or another regulated stock exchange satisfying to the conditions set out at left, and must receive it within 12 months of issue.</li> </ul>
<b>2. Money market instruments that do not meet the requirements in row 1</b>	<ul style="list-style-type: none"> <li>Must be subject (either at the instrument level or the issuer level) to investor protection and savings regulation.</li> <li>Must be one of the following: <ul style="list-style-type: none"> <li>issued or guaranteed by the central bank of the EU or any sovereign power, any EU State's regional or local authority, or any international authority to which at least one EU State belongs</li> <li>issued by an issuer or undertaking whose securities qualify under row 1 above</li> <li>issued or guaranteed by any establishment that is subject to EU prudential supervision rules or to other prudential rules the CSSF considers to be at least as stringent</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>issued by an issuer that belongs to a category recognized by the CSSF, that offers an investor protection equivalent and that meets the following criteria: <ul style="list-style-type: none"> <li>it has at least EUR 10 million in capital and reserves and publishes annual accounts consistent with fourth Directive 78/660/EEC</li> <li>it is dedicated to financing a group of companies at least one of which is publicly listed</li> <li>it is dedicated to financing securitization vehicles that benefit from a banking liquidity line</li> </ul> </li> </ul>
<b>3. Transferable securities and money market instruments that do not meet the requirements in rows 1 and 2</b>	<ul style="list-style-type: none"> <li>Limited to 10% of the Sub-Fund's assets</li> </ul>	
<b>4. Shares of UCITS or UCIs</b>	<ul style="list-style-type: none"> <li>UCIs must meet the following cumulative criteria: <ul style="list-style-type: none"> <li>must be authorised under laws which provide that they are subject to supervision considered by the CSSF to be equivalent to that laid down in EU law, and that cooperation between authorities is sufficiently ensured</li> <li>the target UCITS/UCI is prohibited from investing more than 10% of its assets in another UCITS/UCI</li> <li>must issue yearly and half-yearly financial reports</li> <li>must offer investor protections that are equivalent to those of a UCITS</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>The SICAV will pay fees of the target UCITS and/or UCI but the Sub-Fund will not invest in underlying UCIs which levy a subscription or a redemption fee higher than 1%. The Sub-Fund will not invest in underlying UCIs which are themselves submitted to a management fee exceeding 3%.</li> <li>The Management Company or any person acting on behalf of the SICAV or the Management Company may not obtain a rebate on any fees or charges levied by the target UCITS and/or UCIs or its Management Company, or any quantifiable monetary benefits in connection with investments in the target UCITS and/or UCIs.</li> </ul>
<b>5. Units of other Sub-Funds of the SICAV</b>	<ul style="list-style-type: none"> <li>The target Sub-Fund cannot invest in the acquiring Sub-Fund (reciprocal ownership) and must limit investments in other target Sub-Funds to 10% of its net assets.</li> <li>Voting rights of the relevant Shares are suspended for as long as those Shares are held by the acquiring Sub-Fund.</li> </ul>	<ul style="list-style-type: none"> <li>The value of the relevant target Sub-Fund's Shares do not count as assets of the acquiring Sub-Fund when determining whether the SICAV meets its minimum asset level.</li> </ul>
<b>6. Derivatives and equivalent cash-settled instruments (exchange-traded or OTC)</b>	<ul style="list-style-type: none"> <li>The underlying instruments must be the investments described in rows 1 - 5 and row 10, or must be financial indexes, interest rates, foreign exchange rates or currencies that are in scope for the Sub-Fund's investments.</li> <li>Global derivatives exposure must not exceed 100% of the net assets of the relevant Sub-Fund in the case it is using the commitment approach. For Sub-Funds using the Value-at-Risk approach, the risk associated with the use of derivative instruments may not cause the Sub-Fund to exceed the level of Value-at-Risk indicated in the relevant "Sub-Fund Descriptions" section.</li> <li>OTC derivatives (those that do not trade on an eligible market for transferable securities, as defined above) must have reliable and verifiable daily valuation and must be able to be sold, liquidated or closed by an offsetting transaction at any time at fair value at the SICAV's initiative.</li> </ul>	<ul style="list-style-type: none"> <li>Counterparties to OTC derivative transactions are institutions subject to prudential supervision and belonging to the categories approved by the CSSF.</li> <li>Under no circumstances shall these operations cause the Sub-Funds to diverge from their investment objectives.</li> <li>See also the sub-section "Collateral Policies" above.</li> </ul>
<b>7. Real estate</b>	<ul style="list-style-type: none"> <li>Investment exposure is allowed only through investments described in rows 1 - 7.</li> </ul>	<ul style="list-style-type: none"> <li>The SICAV may directly purchase real estate or other movable or immovable property only if it is directly necessary to its business.</li> </ul>
<b>8. Precious metals and commodities</b>	<ul style="list-style-type: none"> <li>Investment exposure is allowed only through investments described in rows 1 - 7.</li> </ul>	<ul style="list-style-type: none"> <li>Ownership, directly or through certificates, is prohibited.</li> </ul>



<b>9. Term deposits with credit institutions</b>	<ul style="list-style-type: none"> <li>• Must have the right to be withdrawn.</li> <li>• Must mature in 12 months or less.</li> </ul>	<ul style="list-style-type: none"> <li>• Credit institutions either must be located in an EU State or be subject to prudential rules the CSSF considers being at least as stringent as European law.</li> </ul>
<b>10. Cash</b>	<ul style="list-style-type: none"> <li>• Limited to deposits on sight.</li> <li>• Limited to 20% of the Sub-Fund's assets. Such restriction may exceptionally and temporarily be exceeded if the Board considers this to be in the best interest of the Shareholders.</li> </ul>	
<b>11. Securities borrowing and lending, sale with right of repurchase, repurchase agreement, reverse repurchase agreement</b>	<p>Securities lending and repurchase agreements:</p> <ul style="list-style-type: none"> <li>• up to 100% of Sub-Fund's net assets.</li> </ul> <p>Securities borrowing:</p> <ul style="list-style-type: none"> <li>• Borrowing transactions may not exceed 50 % of the global valuation of the securities portfolio of the Sub-Fund.</li> </ul>	<p>Reverse repurchase agreement transactions:</p> <ul style="list-style-type: none"> <li>• up to 100% of Sub-Fund's net assets.</li> </ul> <p>See the sub-section "More about Efficient Portfolio Management" and the sub-section "Collateral Policies".</p>
<b>12. Techniques and instruments for efficient portfolio management</b>	<ul style="list-style-type: none"> <li>• See the sub-section "Efficient Portfolio Management" above.</li> </ul>	
<b>13. Borrowing and foreign currency</b>	<ul style="list-style-type: none"> <li>• The SICAV may acquire foreign currency by means of back-to-back loans.</li> <li>• Other than this, the SICAV can borrow only on a temporary basis</li> </ul>	The direct pursuit of its business. No Sub-Fund can borrow more than 10% of total assets for either of these purposes or more than 15% of total assets for both purposes combined. Collateral arrangements regarding the writing of options or the purchase or sale of forward or future contracts do not constitute borrowings.
<b>14. Uncovered short sales</b>	<ul style="list-style-type: none"> <li>• Direct short sales are prohibited</li> </ul>	<ul style="list-style-type: none"> <li>• Short exposure is allowed only through derivatives described in row 6.</li> </ul>

### Feeder funds

The SICAV can create one or more Sub-Funds that qualify as a master fund or a feeder fund. The rules below apply to any Sub-Fund that is a feeder fund.

Security	Investment Requirements	Other Terms and Requirements
<b>Shares/Units of the master fund</b>	At least 85% of assets.	The master fund must be a UCITS or a Sub-Fund of such UCITS, which shall neither itself be a feeder fund nor hold units/shares of a feeder fund and has, among its shareholders, at least one feeder UCITS. The master fund cannot charge any fees for buying or redeeming shares/units.
<b>Derivatives, ancillary liquid assets and movable or immovable property only if it is directly necessary to the SICAV's business.</b>	Up to 15% of assets.	Derivatives must only be used for hedging. In measuring derivatives exposure, the feeder fund must combine its own direct exposure with either the actual or potential maximum global exposure of its holdings in the master UCITS.

### Limits to Prevent Concentration of Ownership

These limits are intended to prevent a Sub-Fund from the risks that could arise for the Sub-Fund and the issuer if the Sub-Fund were to own a significant percentage of a given security or issuer. For purposes of this table and the next, companies that share consolidated accounts in accordance with Directive 2013/34/EU or with recognized international rules are considered a single issuer.

Category of securities	Maximum ownership, as a % of the total value of the securities issue
<b>Shares carrying voting rights</b>	Less than would allow the Sub-Fund's significant management influence.
<b>Non-voting shares of any one issuer</b>	10%
<b>Debt securities of any one issuer</b>	10%
<b>Money market instruments of any one issuer</b>	10%
<b>Shares/units of any one UCITS /UCI (per Article 2 (2) of the 2010 Law)</b>	25%

These limits can be disregarded at purchase if the amount of securities in issue are not calculable at that time.

These rules do not apply to:

- securities described in row A (next table)
- shares of non-EU companies that represent the only way to indirectly invest in securities of issuers of the non-EU country
- Shares created by local paying agents to enable investors in their country to invest in the Sub-Fund

## Limits to Promote Diversification

To help ensure diversification, a Sub-Fund cannot invest more than a defined percentage of its net assets in one issuer or one category of securities. These rules of diversification do not apply during the first six months following a Sub-Fund's launch, although the principle of risk spreading remains. The ceilings set forth below may be disregarded by each Sub-Fund when exercising subscription rights attaching to securities in such Sub-Fund's portfolio. If such ceilings are exceeded for reasons beyond the control of a Sub-Fund or as a result of the exercise of subscription rights, such Sub-Fund must adopt as its priority objective in its sale transactions the remedying of such situation, taking due account of the best interests of its Shareholders. The Board has the right to determine additional investment restrictions to the extent that those restrictions are necessary to comply with the laws and regulations of countries where Shares of the SICAV are offered or sold. The limits in vertical brackets indicate the maximum total investment in any one issuer or body for all bracketed rows.

Investment in financial derivative instruments shall only be made provided that the exposure to the underlying assets does not exceed in aggregate the limits below.

Maximum investment, as a % of Sub-Fund's net assets:		
Category of securities	In any one issuer	Other
<b>A. Transferable securities and money market instruments issued or guaranteed by an EU State, a public local authority within the EU, an OECD (Organisation for Economic Cooperation and Development) or G20 (Group of Twenty) member state or Singapore or Hong Kong, an international body to which at least one EU member belongs, or any other non-EU member state recognized in this context by the CSSF</b>	35%	<ul style="list-style-type: none"> <li>100% in at least six issues provided that: <ul style="list-style-type: none"> <li>the issues are transferable securities or money market instruments being at least one of the categories listed in A</li> <li>the Sub-Fund invests no more than 30% in any one single issue</li> </ul> </li> </ul>
<b>B. Bonds subject to special public supervision designed to protect bondholders* and issued before 8 July 2022 by a credit institution domiciled in the EU and bonds that fall under the definition of covered bonds in point (1) of Article 3 of Directive (EU) 2019/2162 of the European Parliament and of the Council of 27 November 2019 on the issue of covered bonds and covered bond public supervision and amending Directives 2009/65/EC and 2014/59/EU</b>	25%	
<b>C. Transferable securities and money market instruments other than those described in rows A and B</b>	10%**	<ul style="list-style-type: none"> <li>20% in all companies belonging to the same single issuer group.</li> <li>40% in those issuers or bodies in which a Sub-Fund has invested more than 5% of its net assets.</li> </ul>
<b>D. Credit institution deposits</b>	20%	
<b>E. OTC derivatives and efficient portfolio management techniques with a counterparty that is a credit institution as defined in row 9. above</b>	10% exposure	
<b>F. OTC derivatives and efficient portfolio management techniques with any other counterparty</b>	5% exposure	
<b>G. Units of UCITS or UCIs as defined in rows 4 and 5 above</b>	20% in any one UCITS or UCI	<ul style="list-style-type: none"> <li>If investing more than 10% in any UCITS or UCI: <ul style="list-style-type: none"> <li>there is an aggregate limit of 30% in all UCIs, and</li> <li>an aggregate limit of 100% in all UCITS</li> </ul> </li> <li>Target sub-funds whose assets are segregated are each considered a separate UCITS or UCI.</li> <li>Assets held by the UCITS or UCIs do not count for purposes of complying with rows A - F of this table.</li> <li>For master-feeder exception, see table above.</li> </ul>

\* Bonds must invest the proceeds from their offerings to maintain full liability coverage during the entire life of the bond and to give priority to the obligations to bond investors in case of issuer bankruptcy.

\*\* The Sub-Funds for which the investment strategy is to replicate the composition of a certain stock or bond index may increase to 20%, so long as the index is a published, sufficiently diversified index that is adequate as a benchmark for its market and is recognized by the CSSF. This 20% increases to 35% (but for one issuer only) in exceptional circumstances, such as when the security is highly dominant in the regulated market in which it trades.

### **Monitoring of the Global exposure**

The Management Company uses a risk-management process that enables it to monitor and measure the risk profile of each Sub-Fund. As part of the risk management process, the SICAV uses the commitment approach to monitor and measure the global exposure of each Sub-Fund unless otherwise provided for under the relevant "Sub-Fund Description". This approach measures the global exposure related to positions on financial derivative instruments and other efficient portfolio management techniques, which may not exceed the total net value of the portfolio of the relevant Sub-Fund.

When otherwise provided for under the relevant "Sub-Fund Descriptions", the SICAV uses the Value-at-Risk (VaR) approach which is the percentage of NAV that a portfolio may lose on a given time horizon, at a given confidence level. The VaR used by the Investment Manager will have a five Business Days horizon and 95% confidence level parameters; where the VaR is complemented with the monitoring of the leverage, based on the sum of the notional approach which is defined as the sum of the absolute value of the notional of all financial derivatives in the Sub-Fund.

# Investing in the Sub-Funds

## SHARE CLASSES

### Available Share Classes

The table below describes all of the Share Classes currently in existence within the SICAV. All variants of a particular Share Class, such as the hedged, different distribution frequencies, capitalisation vs distribution, are considered to be included in that Share Class for purposes of the table. The currency of the minimums is the Reference Currency of the Sub-Fund except otherwise set out below. For Share Classes denominated in a different currency than the one in which minimums are indicated, the minimum amount is the equivalent value in the Share Class currency unless indicated otherwise in "Sub-Fund Descriptions".

The "Sub-Fund Descriptions" section shows which Share Classes are available for each Sub-Fund and provides information about costs and other characteristics.

### Dividend Policy

Capitalisation Shares do not declare any dividends and accordingly the income attributable to these Shares will be accumulated in their respective NAV.

Distributing Shares declare dividends at the discretion of the Board. Dividends may be paid out of the investment income and/or realised capital gains, or out of any other funds available for distribution. Dividends are paid annually, and where relevant, subject to Shareholders general meeting approval, except for Distribution monthly "m" or Distribution quarterly "q" or Distribution semi-annually "s" Shares which declare dividends on a monthly, quarterly or semi-annual basis respectively. Additional interim dividends may also be declared at the discretion of the Directors and as permitted by Luxembourg law.

The Distributing Shares types are mentioned in the "Distributing Shares" table below.

Share class Identifier	Dividend Basis	Description and Objective
Distribution	Net Income	Aims to pay all income generated during the period after deduction of expenses from the NAV of the relevant Share.
Distribution "gr"	Gross Income	Aims to pay all income generated during the period before deduction of expenses from the NAV of the relevant Share.
Distribution "ird"	Determined on the basis of gross income and interest rate differential of Currency Hedged Share Classes	Aims to pay an amount or rate (pro-rated according to the relevant distribution frequency) over the fiscal year determined on the basis of gross income and positive interest rate differential (i.e. distribution from capital may include a premium or discount which is determined by differences in the interest rates between the reference currencies of the Currency Hedged Share Class and the Sub-Fund).
Distribution "fl"	Determined on the basis of a	Aims to pay a fixed amount or rate (pro-rated according to the relevant distribution

	fixed amount or rate per annum	frequency) over the fiscal year regardless of the actual level of income generated during the period of the relevant Sub-Fund.
Distribution "st"	Determined on the basis of gross income	Aims to pay a stable amount or rate (pro-rated according to the relevant distribution frequency) over the fiscal year without sustained and excessive capital erosion at the discretion of the Board of Directors.

Whilst it is intended that Distributing Share Classes will declare and distribute dividends, investors should be aware that there may be circumstances when the level of the dividends declared is reduced or even when no distribution is made at all. For Distributing Share Classes with share class identifier "gr", "ird", "fl" or "st", dividends may be paid (i) directly out of capital of the relevant Share; or (ii) out of gross income before deduction of expenses from the NAV of the relevant Share, resulting in an increase in distributable income for the payment of dividends and therefore, paying dividends effectively out of capital of the relevant Share. Investors should be aware that any distributions including payment directly or effectively out of a Sub-Fund's capital (as the case may be) results in an immediate decrease in the NAV per Share. Payment of distribution out of a Sub-Fund's capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment may further decrease the NAV per Share and may also reduce the capital available for the Sub-Fund for future investment and capital growth. As a result, such investors' investment in the Sub-Fund may be adversely affected. Potential investors should carefully read the "Distribution out of / effectively out of capital risk" under "Specific Risks" in "Risk Descriptions" section. All potential investors are encouraged to seek tax advice before investing in Distributing Shares.

The compositions of the dividends (i.e. the relative amounts paid out of net distributable income and/ or capital) for the last 12 months are available from the Hong Kong representative upon request and also on [www.axa-im.com.hk](http://www.axa-im.com.hk).

The SICAV may amend the distribution policy described above subject to the SFC's prior approval and by giving not less than one month's prior notice to investors.

For Distributing Shares with share class identifier "fl", the dividend is determined based on a fixed amount or rate per annum applied on the NAV per Share on the last Valuation Day of the previous year, with adjustment for the distribution frequency. The fixed dividend rates of the relevant Distributing Shares are set out in the table below:

Sub-Fund / Share Class	Fixed dividend rate per annum
Emerging Markets Short Duration Bonds - Class A distribution quarterly "fl" (SGD hedged 95%)	3.50%
Global Income Generating Assets - Class A distribution monthly "fl" (USD)	8.00%

Europe Real Estate - Class A distribution quarterly "f" (USD Hedged 95%)	3.50%
Europe Real Estate - Class A distribution quarterly "f" (HKD Hedged 95%)	3.50%

The dividend amount per Share is calculated as follows:  $[(1 + \text{fixed dividend percentage per annum})^{\frac{1}{\text{distribution frequency over a year}}} - 1] \times \text{NAV per Share on the last Valuation Day of the previous year}$ . The same amount of dividend as determined by the above formula will be paid out on each dividend payment date over the year. Shareholders will be notified with one month prior notice in case of any change in the fixed dividend rate. Investors should note that a positive fixed dividend rate does not imply a high or positive return, as the dividend may be paid out of capital or effectively out of capital. Distributing Shares applying this policy may have a significant risk of capital erosion. Potential investors should carefully read the "Risk related to Distributing Shares with fixed dividend policy" under "Specific Risks" in "Risk Descriptions" section.

Dividends are paid in cash or reinvested in Shares of the same Sub-Fund and Share Class. Investors will receive a statement detailing all cash payment or reinvestments in their account. However, investors will receive their dividends in cash if they specifically request dividend payment in cash on their Application Form.

If investors do receive dividends in cash, they can have them converted to a different currency, at their own expense and risk and subject to approval by the Management Company. Normal banking rates are used for calculating currency exchange values. Unclaimed dividend payments will be returned to the SICAV after five years. Dividends are paid only on Shares owned as at the record date.

No Sub-Fund will make a dividend payment if the assets of the SICAV are below the minimum capital requirement, or if paying the dividend would cause that situation to occur.

The Management Company may apply an equalization accounting technique to ensure that the level of income attributable to each Share is not affected by the issue, conversion or redemption of those Shares during the distribution period. Investors should seek professional advice on the possible tax consequences of subscribing, redeeming or converting Shares, or the effects of any equalization policy relevant in respect of Shares.

### Currency Hedged Share Classes

Any Sub-Fund can issue any Share Class in currency hedged form, meaning that the hedged version of the Share Class is denominated in a currency that is different from the Sub-Fund's Reference Currency, and is hedged to that currency. The currency risk between the Sub-Fund's NAV and the currency of the hedged Share Class will be hedged at least at 95%. Hedged Share Classes are designated with a "Hedged".

All costs specifically associated with offering each hedged Share Class (such as currency hedging and foreign exchange costs) will be charged to that Share Class.

If investors invest in a hedged Share Class, they could experience losses from currency exchange fluctuations to the extent that the Share Class' hedging is incomplete, and they will give up any potential gains from currency exchange fluctuations to the extent that hedging is effective.

### Other Share Class Policies

Each whole Share gets one vote in all matters brought before a general meeting of Shareholders. A Sub-Fund may issue fractional Shares of as little as one thousandth of a Share (three decimal places). Fractional Shares do not have voting rights but do receive their pro rata portion of any dividends, reinvestments and liquidation proceeds.

Shares are issued in registered form (meaning that their ownership is recorded in the SICAV's register of Shareholders) and are usually issued in non-certificated form. Owners of registered Shares have their name written in the register of the SICAV. Registered Shares will be issued as non-certificated Shares or, upon written request, certificated Shares; ownership of registered non-certificated Shares will be evidenced by written confirmation after completion of the subscription. Ownership of certificated registered Shares will be evidenced by a share certificate sent to the Shareholder against payment of a fee of up to USD 85 for Hong Kong investors in relation to handling costs incurred by the SICAV. It is recommended that investors hold non-certificated Shares, since the latter offer the possibility to be redeemed and converted by simple instruction to the SICAV or its agents.

Shares carry no preferential or preemptive rights.

The Board reserves the right to list any Shares on the Luxembourg Stock Exchange or any other stock exchange. Information on whether a class of Shares is listed on the Luxembourg or other stock exchange can be obtained from the administrative agent or the Hong Kong representative or on the website of the relevant Stock Exchange. For the avoidance of doubt, all classes of Shares available to Hong Kong investors are not currently listed on the Stock Exchange of Hong Kong.

The SICAV reserves the authority re-allocate the assets and liabilities of that class to those of one or several other classes within the Company and to re-designate the shares of the class(es) concerned as shares of such other share class(es) (following a split or consolidation, if necessary, and the payment to Shareholders of the amount corresponding to any fractional entitlement) if, for any reason, the value of the net assets of any Share Class within a Sub-Fund has decreased to, or has not reached, an amount determined by the Board to be the minimum level for such Share Class, to be operated in an economically efficient manner or as a matter of economic rationalisation. Such decision will be subject to the right of the relevant Shareholders to request, without any charge, the redemption of their Shares or, where possible, the conversion of those Shares into Shares of other Share Classes within the same Sub-Fund or into Shares of same or other Share Classes within another Sub-Fund. The Shareholders of the class of shares concerned will be informed of the reorganisation by way of a notice and/or in any other way as required or permitted by applicable laws and regulations.

Notwithstanding the powers conferred on the Board by the preceding paragraph, the shareholders may decide on such reorganisation by resolution taken by the general meeting of shareholders of the share class concerned. The convening notice to the general meeting of shareholders will indicate the reasons for and the process of the reorganisation. Such general meeting will decide by resolution taken with no quorum and adopted by a simple majority of the votes validly cast at the meeting.

### Seed Money

Shares of a Sub-Fund may be held (i) by a French fund in which AXA Investment Managers is a majority Shareholder (hereinafter the "AXA IM Fund") and/or (ii) by companies which are part of the AXA IM Group and/or (iii) by investment funds which are managed by investment management companies in which AXA IM Group directly or indirectly holds a shareholding ("AXA IM Group Managed Funds") for the purposes of building a track record or a specific marketing action on the Sub-Fund.

AXA IM Fund and/or companies of the AXA IM Group and/or AXA IM Group Managed Funds may, at any time, choose to redeem their Shares in the Sub-Fund which may result in a material decrease in the total assets of the Sub-Fund and/or a restructuring of the Sub-Fund including but not limited to restructuring causing the winding up of the Sub-Fund or its merger with another Sub-Fund. Specific rules have been established by the Management Company with a view to preserve an equal treatment between the Shareholders of the Sub-Fund and will be applied in such case.



The foregoing does not prevent Shares of a Sub-Fund from being held by other investors including external seed investors.

**Subscription, conversion and redemption of Shares via financial intermediaries / other electronic means / use of nominee services**

Investors may incur fees as a result of investing through their financial intermediaries, such as, but not limited to, platforms, or by other electronic means or for the use of nominee services. Such fees are not fees payable to the Management Company in respect of a subscription, conversion or redemption of Shares.

**The attention of ultimate investors is drawn to the fact that their rights may be affected (e.g. they may not be fully indemnified) in case of compensation payments resulting from material NAV calculation errors, breaches of investment restrictions or other errors having a financial impact when they are invested indirectly in the SICAV through financial intermediaries subscribing on behalf of underlying third parties in the SICAV's register of Shareholders.**

**Minimum Subscriptions**

Amounts of minimum subscriptions are expressed in the Reference Currency of the Sub-Fund or the equivalent in the currency of the Share Class. However, in particular cases and at its own discretion, the Board reserves the right to reduce or waive any stated minimum investments for any Share Class of any Sub-Fund.

Class	Designed For	Minimum Initial Investment
<b>A</b>	All investors	None
<b>F</b>	Only offered: (i) through financial intermediaries which according to either regulatory requirements (e.g. in the European Union, financial intermediaries providing discretionary portfolio management or investment advice on an independent basis) or separate fee arrangements with their clients, are not allowed to keep trail commissions, and/ or (ii) to Institutional Investors investing on their own behalf.	None

## BUYING, SWITCHING, REDEEMING AND TRANSFERRING SHARES

### Information that Applies to All Transactions Except Transfers of Shares

Investors can place requests to buy, switch or redeem Shares on any Business Day through a financial adviser or financial intermediary qualified to act in that capacity. Investors can also place requests directly with the registrar agent by FTP, SWIFT, fax or post or with the Hong Kong representative. Requests to buy, switch or redeem Shares sent to the Hong Kong representative must be received by it no later than 16:00 Hong Kong time on a Hong Kong Business Day if they are to be forwarded to the registrar agent in Luxembourg on that day. Investors should note that while they may submit applications by fax, the original application form should still be signed and posted to the Hong Kong representative.

Different procedures and time limits may apply if applications for Shares are made through a financial adviser or a financial intermediary. In such instances, investors should obtain from such financial adviser or financial intermediary information about the procedure relevant to their application together with any time limit by which the order must be received. Investors should note that subscription, redemption or conversion of Shares through a financial advisor or financial intermediary may not be possible on days that such financial advisor and financial intermediary are not open for business.

Subscriptions, redemptions and conversions are dealt with at an unknown NAV. Any request received in good order is deemed irrevocable after the Sub-Funds cut-off.

Each request will be processed at the next NAV to be calculated after the request has been accepted (meaning that the request has arrived at the registrar agent and is considered complete and authentic). Orders received and accepted by the registrar agent by 15:00 Luxembourg time on a Business Day will be traded at the Dealing Price applicable to such Valuation Day (Forward Pricing Basis) or the following Valuation Day thereafter (Forward-Forward Pricing Basis) as indicated in "Sub-Fund Descriptions". All requests received by the registrar agent after 15:00 Luxembourg time shall be deemed to have been received on the following Business Day. The registrar agent processes all requests in the sequence in which they are received. A confirmation notice will be sent to Shareholders or their financial advisers in the form of a contract note after completion of each transaction.

If a request to buy, switch or redeem is placed a day which is not a Valuation Day, the request will be dealt with on the next day which is a Valuation Day.

Monies can be paid by bank transfer to the relevant accounts as provided by the Hong Kong representative. Hong Kong investors should note that subscription monies should be paid no later than three (3) Business Days after the date of subscription or they may be charged interest. Shares issued can be cancelled by the Hong Kong representative if payment for Shares is not matched within this period and the applicant will indemnify the SICAV, the Management Company, Investment Manager or other relevant parties the difference between payment for the Share application and redemption plus any bank charges. No money should be paid to any person in Hong Kong who is not licensed by or registered with the SFC to conduct Type 1 (dealing in securities) Regulated Activity under Part V of the Hong Kong Securities and Futures Ordinance. The Hong Kong representative is so licensed. Only the Sub-Funds set out in the "Sub-Fund Descriptions" section of this document are authorised in Hong Kong for public sale.

Investors who seek an in-kind purchase or redemption of Shares must obtain Board approval and such transaction is subject to all applicable laws, namely with respect to a special audit report prepared by the auditor of the SICAV, confirming the value of the assets in kind and their compliance with the investment policy and restrictions of the SICAV and the relevant Sub-Fund. Any costs

incurred in connection with a redemption in kind of securities shall be borne by the relevant investor.

When placing any request, investors must include all necessary information and instructions as to the Sub-Fund, Share Class, account, and size and direction of transaction (buying, redeeming or switching). Investors must promptly inform the SICAV or the Hong Kong representative of any changes in personal or bank information.

Any transaction may involve fees, such as an entry charge or certain other fees. See "Sub-Fund Descriptions" for more information or ask a financial adviser. Investors are responsible for all costs and taxes associated with each request placed on their account.

In the event that the order has been made in a currency other than the Reference Currency of the relevant Sub-Fund and/or Share Class, the registrar agent will perform the necessary foreign exchange transactions. Investors should be aware that the amount of currency involved and the time of day at which such foreign exchange is transacted will affect the rate of exchange. No liability shall be accepted by the Depositary, registrar agent or the SICAV for any losses arising from adverse currency fluctuations. Foreign exchange transactions for Sub-Funds may be carried out by a company within AXA.

The SICAV will not issue Shares of (or effect any switching into) Classes restricted to Institutional Investors to any investor who may not be considered as an Institutional Investor. The Board may, at its discretion, delay the acceptance of any subscription for Share Classes restricted to Institutional Investors until such date as the registrar agent has received sufficient evidence on the qualification of the relevant investor as an Institutional Investor. If it appears at any time that a holder of Share Classes restricted to Institutional Investors is not an Institutional Investor, the Board will instruct the registrar agent to propose that the said holder convert its Shares into Shares of a Share Class within the relevant Sub-Fund which is not restricted to Institutional Investors (provided that there exists such a Share Class with similar characteristics). In the event that the Shareholder refuses such switching, the Board will, at its discretion, instruct the registrar agent to redeem the relevant Shares in accordance with the provisions under this section.

The SICAV reserves the right to do any of the following at any time:

- **Reject any request to buy, redeem or switch Shares as well as forcibly switch or redeem Shares of which an ineligible or unqualified investor is a beneficial owner** (whether sole or partial). This applies if the SICAV knows or believes any of the following to be true:
  - the investor is a US Person or a Restricted Person in the terms provided within the Articles of Incorporation (including, but not limited to, Canadian Prohibited Investors);
  - the investor has failed to make the representations and warranties required by the Board;
  - the investor has failed to supply any information or declarations required by the Board with respect to corruption, anti-money laundering and terrorism financial matters;
  - the investor has made certain prohibited practices such as market timing and late trading;
  - the investor has failed to remain true to representations and warranties that were made.
- **In any case where it appears that, a non-institutional investor has come to hold Shares designated for institutional investors**, the SICAV will either forcibly redeem the Shares or switch them for retail Shares of the same Sub-Fund (which Shares may have higher fees and expenses) depending on whether a retail Share Class is available or not.

## *US Persons, Benefit Plan Investors and Canadian Prohibited Investors*

In order to invest in the SICAV, any prospective investor must certify that, except as otherwise authorised by the Board, (i) it is not a US Person, (ii) it is a Non-US Person, (iii) it is not a Canadian Prohibited Investor, and (iv) it is not subscribing for Shares on behalf of US Persons or Canadian Prohibited Investors. In order to invest in the SICAV, any prospective investor must also certify that it is not subject to Title 1 of ERISA or the prohibited transactions provisions of Section 4975 of the US Internal Revenue Code, and does not qualify as a Benefit Plan Investor.

Shareholders are required to notify the SICAV through the distributors, immediately in the event that they become US Persons, Benefit Plan Investors (or become subject to Title 1 of ERISA) or Canadian Prohibited Investors, or they cease to be a Non-US Person, or they hold Shares on behalf of US Persons, Benefit Plan Investors or Canadian Prohibited Investors and their Shares may be compulsorily redeemed by the SICAV, or they may otherwise be required by the SICAV to dispose of their Shares in the manner outlined below.

In addition, the Board may authorise the purchase by or transfer of Shares to a US Person resident outside the US if the US Person declares that they are making their application for the beneficial account of a person who is not a US Person. The Board may also authorise the purchase by or transfer of Shares to a Canadian investor resident outside Canada if it declares that it is making its application for the beneficial account of a person who is not a Canadian Prohibited Investor.

Each prospective investor (incl. a prospective transferee) who is a US Person or a Canadian Prohibited Investor will be required to provide such representations, warranties or documentation, including opinion of counsel, as may be required by the SICAV to ensure that such requirements are met prior to approval of such sale or transfer by the SICAV. The Board shall determine from time to time the number of US Persons or Canadian Prohibited Investors (if any) who may be admitted into the SICAV.

## **Buying Shares**

To make an initial investment, investors or their intermediary must submit a completed Application Form in writing to the registrar agent or the Hong Kong representative. Orders to buy Shares may be indicated in a currency amount or a Share amount.

Unless otherwise stated in the relevant "Sub-Fund Descriptions" and/or upon decision of the Management Company, the initial price for all share classes of all Sub-Funds at launch (or, as applicable, relaunch) shall be 100 in the relevant share class reference currency, except for share classes denominated in JPY (initial price of 10,000). As applicable, such price is available at the registered office of the SICAV upon request.

The allotment of Shares is conditional upon receipt by the Depositary of monies on the Settlement Day.

At the Shareholder's request, the SICAV may accept subscription in kind, having due regard to all applicable laws and regulations, all Shareholders' interest and each relevant Sub-Fund's investment policy. In such case of subscription in kind, the auditor of the SICAV shall deliver, if applicable, an audit report in accordance with applicable laws. Any costs incurred in connection with a subscription in kind of securities shall be borne by the relevant Shareholder.

## **Switching Shares**

Investors can switch (convert) Shares of any Sub-Fund and Share Class into Shares of any other Sub-Fund and Share Class, with the following conditions:

- investors must meet all eligibility requirements for the Share Class into which they are requesting to switch
- their switch must meet the minimum investment amount of the Sub-Fund and Share Class being switched into, and if it is a partial switch, must not leave less than the minimum

investment amount in the Sub-Fund and Share Class being switched out of

- the switch must be consistent with any restrictions stated in "Sub-Fund Descriptions" or in the table above
- the switch of Shares of a Sub-Fund calculating its NAV on a weekly basis into Shares of another Sub-Fund calculating its NAV on a weekly basis is not authorised.

The SICAV switches Shares on a value-for-value basis, based on the NAVs of the two investments (and, if applicable, any currency exchange rates) at the time the SICAV processes the request.

There is no fee for switching in itself, although there are fees for excessive switching, and investors may need to pay the difference in any fees for buying Shares. See "Notes on Sub-Fund's Costs".

Any request for a conversion of Shares of any Sub-Fund into Shares of another Sub-Fund received by the registrar agent prior to 15:00 Luxembourg time on any Valuation Day (D) will be traded as follows:

- the redemption of the Shares to be converted will be traded on that Valuation Day (D); and
- the corresponding subscription of Shares in the other Sub-Fund will be traded on the Valuation Day of such other Sub-Fund immediately following the Valuation Day (D+1) on which the redemption has been traded.

Requests for conversion of Shares from one Share Class to another may be sent to the Hong Kong representative for forwarding to the registrar agent in Luxembourg in the same manner as subscription and redemption requests. In the application for conversion of Shares, Shareholders must specify the relevant Share Class as well as the number of Shares they wish to convert and the new Share Class to which their Shares are to be converted. Shareholders wishing to convert certificated Shares must attach the duly renounced Share certificate(s) and, in the case of partial conversion of certificated Shares, all existing certificates must be returned. New certificates will be issued for the balance holding of Shares.

## **Redeeming Shares**

Shareholders may submit redemption requests in the same manner as application requests to the Hong Kong representative together with, if applicable, the relevant Share certificates. Share certificates are forwarded to the Hong Kong representative at the cost and risk of the Shareholder. When redeeming Shares, investors can indicate either a number of Shares (including fractional Shares) or a currency amount. All requests will be dealt with in the order in which they are received.

When investors redeem Shares, the SICAV will send out payment by bank transfer in the Reference Currency of the Share Class. Payment will be sent within three (3) Business Days after the Valuation Day. In any event, payment will be made within 28 days thereof unless dealings are suspended.

At their request, and at their own risk and expense, investors can have their redemption payments converted to a different currency. To arrange for such conversions, contact the registrar agent for terms and fees prior to placing a redemption request.

Depending on Sub-Fund's performance and the effect of applicable fees, when investors redeem Shares, they could be worth less than the amount they invested.

If a Shareholder requests conversion or redemption of a number of Shares which causes the residual amount in the Sub-Fund to fall below the minimum holding requirements of the Sub-Fund, the conversion/redemption instruction will automatically be applied to the total amount held in the Sub-Fund.

At the Shareholder's request, the SICAV may elect to pay redemption proceeds in kind, having due regard to all applicable laws and regulations and to all Shareholders' best interest. The Shareholder's request for redemption payment in kind is subject to the approval of the Depositary. In such case of payment in kind, the auditor of the SICAV shall deliver, if applicable, an audit report in accordance with applicable laws. Further, the valuation of the



assets to be transferred shall be confirmed by the auditor. Any costs incurred in connection with a redemption in kind of securities shall be borne by the relevant Shareholder.

Each Sub-Fund shall not be bound to redeem, on any Business Day, more than 10% of its issued number of Shares. In case of deferral of redemptions, the relevant Shares shall be redeemed at the Dealing Price per Share prevailing at the date on which the redemption is effected. Excess redemptions will be deferred to the next Valuation Day when they shall be dealt with as a priority.

### Transferring Shares

Investors may transfer ownership of their Shares to another investor through the registrar agent, together with, if applicable, the Share certificate. Transfers may also be submitted through the Hong Kong representative.

All transfers must meet any eligibility requirements and holding restrictions that may apply.

## HOW NAV IS CALCULATED

### Timing and Formula

The NAV of each Sub-Fund and Share Class is calculated each day that is a Valuation Day for that Sub-Fund (as described in "Sub-Fund Descriptions"). If the Valuation Day indicated in said "Sub-Fund Descriptions" is not a Business Day, the NAV calculation shall take place on the next Business Day. In such event, the NAV shall be calculated on the basis of the closing prices of the day preceding the concerned closed Business Day or the last available closing prices on this same day. Each NAV is stated in the Reference Currency of the respective Share Class, and is calculated to two decimal places.

The following formula is used to calculate the NAV for each Sub-Fund:

$$\frac{(\text{assets} - \text{liabilities})}{\text{number of outstanding Shares}} = \text{NAV}$$

The assets and liabilities of a Sub-Fund are allocated to the individual Share Classes, and the calculation is carried out by dividing the total net assets of the Sub-Fund by the total number of Shares outstanding for the relevant Sub-Fund or Share Class. If a Sub-Fund has more than one Share Class, that portion of the total net assets of the Sub-Fund attributable to the particular Share Class will be divided by the total number of issued Shares of that Share Class.

After consultation with the Depositary and having regard to the best interest of Shareholders, the SICAV reserves the right to temporarily suspend the calculation of NAVs and transactions in a Sub-Fund's Shares when any of the following is true:

- the principal exchanges or regulated markets that supply the prices of a material portion of the assets of a Sub-Fund's investments are closed when they would normally be open, or their trading is restricted or suspended or the information or calculation sources normally used to determine a material portion of the NAV are unavailable or for any other reason, the prices or values of a material portion of the assets of a Sub-Fund cannot be accurately or promptly ascertained
- a master fund in which the Sub-Fund has invested material assets in quality of feeder fund has suspended its NAV calculations or share transactions or the underlying funds in which the Sub-Fund is invested have suspended their NAV calculations or share transactions
- a legal, political, economic, military or monetary environment or an event of force majeure, has made it impractical to value or trade Sub-Fund's assets
- there has been a breakdown or malfunction in the communications systems or IT media used by the SICAV, or by any securities exchange, in valuing assets
- the SICAV is unable to repatriate sufficient funds to make portfolio investments, transfer the capital or execute

transactions at normal rates of exchange and conditions for such transactions or repatriation

- during the process of establishing exchange ratios in the context of a merger, a contribution of assets, an asset or share split or any other restructuring transaction
- during any period when the dealing of the shares of the SICAV or Sub-Fund or class of shares on any relevant stock exchange where such shares are listed is suspended or restricted or closed
- the SICAV is unable to deal with the SICAV's or Sub-Funds' assets at normal and/or fair conditions, whether for purposes of making portfolio investments or redemption payments; and
- after notice has been given of a Shareholders' meeting at which it will be decided whether or not to liquidate the SICAV or informing shareholders about the termination or liquidation of a Sub-Fund or class of shares.

A suspension could apply to any Share Class and Sub-Fund (or to all), and to any type of request (buy, switch, redeem).

Any such suspension and the termination thereof shall be notified to those Hong Kong Shareholders who have applied for subscription, redemption or conversion of their Shares and shall be published in the South China Morning Post and the Hong Kong Economic Times.

### Swing Pricing

When significant amounts of cash enter a Sub-Fund from new subscriptions, this often requires the portfolio manager to buy securities on behalf of the Sub-Fund to ensure that it is fully invested. Conversely, large redemption requests commonly need to be met by selling securities. The costs of these transactions can include "bid-ask" spreads, broker commissions, custody charges and/or taxes. Without a proper mechanism to deal with this spread impact, these extra costs are borne by the Sub-Fund, causing detriment to the existing shareholders, especially to long-term investors. This is largely because - in the absence of an anti-dilution mechanism - the Share Class' price reflects the close of business "mid" price of its underlying investments and does not include the costs of trading them.

To protect the interests of the existing shareholders of a Sub-Fund or a Share Class, the Management Company may apply a swing pricing mechanism across any and all Sub-Funds or Share Classes and on the portion of cash generated by a merger affecting a Sub-Fund.

The governance of the swing pricing mechanism is defined and applied by the Management Company through a dedicated committee. The Management Company has adopted a partial swing methodology, meaning that the swing pricing mechanism is applied at the level of the Sub-Fund or the Share Class only if a predetermined net capital activity threshold (the "swing threshold") is exceeded on any Valuation Day, irrespective of the specific circumstances of each individual investor transaction.

If the net subscriptions and redemptions based on the last available NAV on any Valuation Day exceed a certain threshold of the value of a Sub-Fund or a Share Class on that Valuation Day, as determined and reviewed on a periodic basis by the Management Company, the NAV will be adjusted by a swing factor respectively upwards or downwards to reflect the extra costs borne by the Sub-Fund, as described above.

The extent of the price adjustment will be set by the Management Company and will not exceed 2% of the NAV.

The fluctuation of the Sub-Fund's NAV may not reflect the true Sub-Fund's performance, and therefore where applicable, might deviate from the Sub-Fund's benchmark because of the application of the swing pricing mechanism.

### How the SICAV Values Assets

The SICAV determines the value of each Sub-Fund's assets as follows:

- **Cash in hand or on deposit, bills and demand notes and accounts receivable, prepaid expenses, cash dividends**

**and interest declared or accrued but not yet received.** Valued at full value, minus any appropriate discount the SICAV may apply based on its assessments of any circumstances that make full payment unlikely.

- **Transferable securities listed or traded on any regulated market, stock exchange in an Other State or another regulated market.** Valued at the closing price on such markets. If a security is listed or traded on several markets, the closing price of the market which constitutes the main market for such securities, will be determining.
- **Transferable securities not listed or traded on any regulated market, stock exchange in an Other State or another regulated market.** Valued at their last available market price.
- **Transferable securities for which no price quotation is available or for which the price referred to in point(s) 1. and/or 3. above is not representative of the fair market value.** Valued prudently and in good faith on the basis of their reasonably foreseeable sales prices. As far as collateralized debt obligations are concerned and insofar the price quotation is not representative of the fair market value, collateralized debt obligations will be valued at their NAV as transmitted to the Investment Manager by the arranging bank of each collateralized debt obligation in which the SICAV has invested.
- **Money market instruments listed or traded on any regulated market, stock exchange in an Other State or another regulated market.** Valued at the closing price on such markets. If a security is listed or traded on several markets, the closing price of the market which constitutes the main market for such securities, will be determining.
- **Money market instruments not listed or traded on any regulated market, stock exchange in an Other State or another regulated market.** Valued at their last available price.
- **Liquidating value of futures, forward and options contracts.** When not traded on regulated markets, stock exchanges in an Other State or regulated markets shall mean their net liquidating value determined, pursuant to the policies established in good faith by the SICAV, on a basis consistently applied for each different variety of contracts. When traded on regulated markets, stock exchanges in an Other State or on another regulated markets shall be based upon the last available settlement prices of these contracts on regulated markets, stock exchanges in an Other State and another regulated markets on which the particular futures, forward or options contracts are traded by the SICAV; provided that if a futures, forward or options contract could not be liquidated on the day with respect to which net assets are being determined, the basis for determining the liquidating value of such contract shall be such value as the SICAV may deem fair and reasonable.
- **Values expressed in a currency other than the Reference Currency of a Share Class or a Sub-Fund.** Those shall be translated to the Reference Currency of a Share Class or a Sub-Fund on the basis of the exchange rate provided by Reuters or another equivalent provider.
- **Swaps and all other securities and assets.** Valued at fair market value as determined prudently and in good faith by the SICAV.
- **Shares/units of UCITS and/or other UCIs** will be evaluated at their last available NAV per Share/unit. Open-ended funds will be valued at the actual NAV for such Shares or units as of the relevant Valuation Day, or based on the market value under the condition that this valuation reflects the most adequate price. If the latter is not the case, funds shall be valued at the estimated NAV as of such Valuation Day, or if no such estimated NAV is available, they shall be valued at the last available actual or estimated NAV provided that if events have occurred which may have resulted in a material change in the NAV of such Shares or units since the date on which such actual or estimated NAV was calculated, the value of such Shares or units may be adjusted in order to reflect, in the reasonable opinion of the Board, such change in

accordance with the “Fair Market Valuation” sub-section below.

The NAV per Share is determined by the administrative agent and made available at the registered office of the SICAV.

Each Sub-Fund shall be valued so that all agreements to purchase or sell securities are reflected as of the date of execution and all dividends receivable and distributions receivable are accrued as of the relevant ex-dividend dates.

#### Liabilities of the SICAV

The liabilities of the SICAV shall be deemed to include:

- borrowings, bills and other amounts due;
- all costs and expenses to be borne by the SICAV;
- all known liabilities, due or not yet due, including the amount of all dividends declared, if any, but unpaid;
- an appropriate amount set aside for taxes due on the date of valuation and other provisions or reserves authorised and approved by the Board ; and
- all other liabilities of the SICAV of whatsoever kind due towards third parties.

#### Fair Market Valuation

The fair value of an item is the price at which two people agree to exchange the item (security, bond, real estate, etc.). The purpose is then to define the price of an asset when the market is unable to provide the fair value (e.g. when the market is closed, when a security is delisted or when the market is not liquid, etc.) based on models or proxies, etc.

In the event that extraordinary circumstances render valuations impracticable or inadequate, the SICAV is authorised, prudently and in good faith, to follow other rules that the Board deems more accurate to achieve a fair valuation of the SICAV's assets.

Fair valuation might be used, for example, where the underlying markets are closed for business at the time of calculating the NAV of certain Sub-Funds or where governments choose to impose fiscal or transaction charges on foreign investment. The Board may set specific thresholds that, where exceeded, result in adjustment to the value of the SICAV's assets to their fair value. Moreover, if, since the time of determination of the NAV but prior to publication, there has been a material change in the valuation of a substantial proportion of the investments of the SICAV attributable to a particular Sub-Fund or Share Class, the SICAV may, in order to safeguard the interests of the Shareholders and the SICAV, cancel the first valuation and carry out a second valuation, in which case all relevant subscription and redemption requests will be dealt on the basis of the second valuation. The SICAV has implemented internal procedures regarding the Fair Market Valuation.

In certain circumstances the Board may be required to provide fair value prices for certain assets of the SICAV and that, in such circumstances, the Board's “fair value” may diverge significantly from the next available market price of such assets.

The process and conduct of fair valuation adjustment will be done by the Management Company in consultation with the Depositary.

#### Allocation of the assets of the SICAV

The Board may establish a Sub-Fund in respect of each Share Class and may establish a Sub-Fund in respect of two or more Share Classes in the following manner:

- if two or more Share Classes relate to one Sub-Fund, the assets attributable to such Share Classes shall be invested pursuant to the specific investment policy of the Sub-Fund concerned
- the proceeds to be received from the issue of Shares of a Share Class shall be applied in the books of the SICAV to the Sub-Fund corresponding to that Share Class provided that if several Share Classes are outstanding in such Sub-Fund, the relevant amount shall increase the proportion of the net assets of such Sub-Fund attributable to the Share Class to be issued;



- where any asset is derived from another asset, such asset shall be applied in the books of the SICAV to the same Sub-Fund as the assets from which it was derived and on each re-evaluation of an asset, the increase or diminution in value shall be applied to the relevant Sub-Fund;
- where the SICAV incurs a liability which relates to any asset of a particular Sub-Fund or to any action taken in connection with an asset of a particular Sub-Fund, such liability could be allocated to the relevant Sub-Fund;
- in the case where any asset or liability of the SICAV cannot be considered as being attributable to a particular Sub-Fund, such asset or liability shall be allocated to all the Sub-Funds *pro rata* to the NAV; and
- upon the payment of distributions to the holders of any Share Class, the NAV of such Share Class shall be reduced by the amount of such distributions.

### Conflict of Interest

The Management Company and its delegates may act in relation to, or be otherwise involved in, other funds which have similar investment objectives to those of the Sub-Funds. It is therefore possible that any of them may, in the due course of their business, have potential conflicts of interest with the SICAV. In such event, each will at all times have regard to its obligations under any agreements to which it is party or by which it is bound in relation to the SICAV. In particular, but without limitation to its obligations to act in the best interests of the Shareholders when undertaking any dealings or investments where a conflict of interest may arise, each shall respectively endeavour to ensure that such conflict is resolved fairly.

The Management Company has also put in place a framework that allows it to detect and prevent conflict of interests that may occur when providing investment services and other related activities.

### Complaints

Shareholders may contact the Hong Kong representative if they have any queries or complaints in respect of the SICAV. Depending on the nature of an enquiry/complaint, it will be dealt with either by the Hong Kong representative directly, or referred to the Management Company for further handling. The Hong Kong representative will endeavor to revert to the relevant investor within 7 working days either orally or in writing.

The Hong Kong representative is AXA Investment Managers Asia Limited of Suites 3603 – 05, 36/F, One Taikoo Place, Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong. Hong Kong investors may also contact the Hong Kong representative by telephone at 852 2285 2000.

## MEASURES TO COMBAT ILLICIT AND DETRIMENTAL ACTIVITIES

### Market Timing and Excessive Trading

Subscription and conversion of Shares should be made for investment purposes only. The SICAV does not permit market timing or other excessive trading practices such as late trading (i.e. subscription received after the Sub-Funds cut-off time). Excessive, short-term (market timing) trading practices may disrupt portfolio management strategies and harm SICAV's performance. To minimize harm to the SICAV and the Shareholders, the SICAV or the registrar agent on its behalf has the right to reject any subscription or conversion order, or levy in addition to any subscription or conversion fees, which may be charged according to the Sub-Funds' Descriptions, a fee of up to 2% of the value of the order for the benefit of the SICAV from any investor, who is engaging in excessive trading or has a history of excessive trading, or if an investor's trading, in the opinion of the SICAV, has been or may be disruptive to the SICAV or any of the Sub-Funds. In making this judgment, the SICAV may consider trading done in multiple accounts under common ownership or

control. The SICAV also has the power to redeem all Shares held by a Shareholder who is or has been engaged in excessive trading. The SICAV will not be held liable for any loss resulting from rejected orders or mandatory redemptions.

Subscriptions, redemptions and conversions are dealt with at an unknown NAV. Any order received is deemed irrevocable after the Sub-Funds cut-off time.

## DATA PROTECTION

In accordance with the provisions of the law of 2<sup>nd</sup> August 2002 on the protection of persons with regard to the processing of personal data, as amended, together with the Regulation n°2016/679 of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data (the "Data Protection Laws"), the SICAV has to inform the Shareholders that their personal data is kept by means of a computer system.

The SICAV, acting as a data controller, collects, stores and processes by electronic or other means the data supplied by Shareholders at the time of their subscription for the purpose of fulfilling the services they required and complying with its legal obligations.

The data processed include the name, address and invested amount of each Shareholder, together with the contact details of the Shareholder's ultimate beneficial owners, directors, authorized signatories and persons that own, directly or indirectly, an interest in the SICAV (the "Personal Data"). Investors may, at their discretion, refuse to communicate their Personal Data to the SICAV. In this case, however, the SICAV may reject their request for subscription of Shares in the SICAV.

In particular, the Personal Data supplied by Shareholders is processed for the purposes of (i) maintaining the register of Shareholders, (ii) processing subscriptions, redemptions and conversions of Shares and payments of dividends to Shareholders, (iii) performing controls on late trading and market timing practices, (iv) complying with applicable anti-money laundering rules and (v) tax identification as may be required under Luxembourg or foreign laws and regulations (including laws and regulations relating to FATCA or CRS).

The SICAV can delegate to another entity (the administrative agent, the registrar agent and the Management Company) (the "Processors") the processing of the Personal Data, for the purpose of fulfilling the services required by the Shareholders, in compliance and within the limits of the applicable laws and regulations. These entities are located in the EU.

A Processor may engage another processor for carrying out specific processing activities on behalf of the SICAV, upon prior authorization from the latter. These entities may be located either in the EU or in countries outside of the EU and whose data protection laws may not offer an adequate level of protection, in particular but not exclusively in India. Such sub-processor shall process the Personal Data under the same conditions and for the same purposes as the Processor. The investor may contact the Processor for more information regarding the transfer of its Personal Data performed by such Processor.

The Personal Data may also be disclosed to the Luxembourg tax authorities, which in turn may, acting as data controller, disclose the same to foreign tax authorities.

Shareholders have a right to access their Personal Data and may ask for a rectification thereof in cases where such data are inaccurate and incomplete. They may also object to processing of their Personal Data based on legitimate interests or ask for erasure of their Personal Data if the conditions provided under the Data Protection Laws are met. Each Shareholder may also ask, under the conditions provided under the Data Protection Laws, for data portability.

In relation thereto, Shareholders can exercise their rights by letter addressed to the SICAV.

Shareholders have a right of opposition regarding the use of their Personal Data for marketing purposes. This opposition can be made by letter addressed to the SICAV.

The Shareholder has a right to lodge a complaint with a data protection supervisory authority.

The Shareholder's Personal Data shall not be held for longer than necessary with regard to the purpose of data processing carried out under the present contractual relationship, observing legal periods of limitation.

## Anti-Money Laundering

The SICAV, the Management Company and the registrar agent must comply with applicable international and Luxembourg laws and regulations regarding the prevention of money laundering and terrorist financing, including but not limited to the Luxembourg law of 12 November 2004 on the fight against money laundering and terrorist financing, as amended (the “**AML Law**”), and CSSF Regulation 12-02 of 14 December 2012 on the fight against money laundering and terrorist financing, as amended (altogether the “**AML/CFT Rules**”). The AML/CFT Rules require the SICAV, on a risk sensitive basis, to establish and verify the identity of investors (as well as the identity of any intended beneficial owners of the shares if they are not the investors) and the origin of invested monies, source of funds and, as the case may be, source of wealth, and to monitor the business relationship on an ongoing basis. The identity of investors should be verified on the basis of documents, data or information obtained from a reliable and independent source. Investors shall provide the registrar agent with the information set out in the Application Form, depending on their type and category.

The SICAV, the Management Company and the registrar agent are required to establish appropriate anti-money laundering controls and will require all documentation deemed necessary to establish and verify the identity and profile of a given investor, the nature and the intended purposes of the business relationship and the origin of subscription proceeds. The registrar agent (and, as the case may be, the Management Company) has the right to request additional information until it is reasonably satisfied it understands the identity and economic purpose of the investor in order to comply with the AML/CFT Rules and, in addition, confirmation may be requested to verify the ownership of any bank account from which or to which monies are being paid. Furthermore, any investor is required to notify the registrar agent prior to the occurrence of any change in the identity of any beneficial owner of Shares.

Where subscriptions of shares are made indirectly through intermediaries investing on behalf of third parties, the SICAV, the Management Company and the registrar agent may be permitted to rely on the customer identification and verification measures performed by these intermediaries under the conditions described in Art. 3-3 of the AML Law. These conditions require in particular that the intermediaries apply customer due diligence and record-keeping requirements that are consistent with those laid down in the AML Law and are supervised by a competent supervisory authority in a manner consistent with these rules. Such intermediaries shall be required to provide the registrar agent with (i) information about the identity of the underlying investor(s), the persons acting on its behalf and the beneficial owners, (ii) relevant information on the source of funds, and (iii) at the request of the SICAV and/or the Management Company, provide copies of the customer due diligence documents as further specified in the relevant application subscription forms without delay, which can be used to verify the identity of the investor (and, if applicable, all beneficial owners).

The SICAV and the Management Company have entered into agreements with several distributors who may then enter into agreements with sub-distributors pursuant to which the distributors agree to act as or can appoint nominees for investors subscribing for shares through their facilities. In such capacity, distributors may effect subscriptions, conversions and redemptions of shares in the nominee name on behalf of individual investors and request the registration of such operations on the register of shareholders of the SICAV in such nominee name. In such circumstances, the nominee/distributor maintains its own records and provides the investor with individualised information as to its holdings of shares.

Failure to provide such information and documents deemed necessary for the SICAV, the Management Company and the registrar agent to comply with their obligations pursuant to the AML/CFT Rules, may result in delays in, or rejection of, any subscription or conversion application and/or delays in any redemption application or dividend payments. No liability for any interest, costs or compensation will be accepted. Similarly, when shares are issued, they cannot be redeemed or converted until full details of registration have been completed and appropriate documents on the business relationship have been obtained.

The Management Company performs a specific due diligence and regular monitoring and applies precautionary measures on both the liability and asset side of the balance sheet (i.e. including in the context of investments/divestments by the Sub-Funds), in accordance with articles 3(7) and 4(1) of the AML Law.

Pursuant to articles 3(7) and 4(1) of the AML Law, the SICAV is also required to apply precautionary measures regarding the assets of the Sub-Funds. The Management Company assesses, using a risk based approach, the extent to which the offering of the shares and services presents potential vulnerabilities to placement, layering or integration of criminal proceeds into the financial system.

Pursuant to the Luxembourg law of 19 December 2020 on the implementation of restrictive measures in financial matters, the application of international financial sanctions must be enforced by any Luxembourg natural or legal person, as well as any other natural or legal person operating in or from the Luxembourg territory. As a result, prior to the Sub-Funds investing in assets, the Management Company shall, as a minimum, ensure that the name of such assets or of the issuer is screened against the target financial sanctions lists.

# The SICAV

## OPERATIONS AND BUSINESS STRUCTURE

**SICAV name** AXA World Funds.

**Registered office**

49, Avenue J. F. Kennedy  
L-1855 Luxembourg, LUXEMBOURG

**Other contact information**

<http://www.axa-im.com>

**Fund type** *Société d'investissement à capital variable* (SICAV); open-ended.

**Incorporation** 24 December 1996, as a *fonds commun de placement*. Reorganized as a SICAV on 18 February 1998.

**Duration** Indefinite.

**Articles of incorporation** Most recently modified on 30 April 2020 and to be published in the *Recueil Electronique des Sociétés et Associations (RESA)* on 8 June 2020.

**Legal jurisdiction** Grand Duchy of Luxembourg.

**Regulatory authority**

*Commission de Surveillance du Secteur Financier* (CSSF)

283, route d'Arlon  
L-1150 Luxembourg, LUXEMBOURG

**Registration number** RCS Luxembourg B 63 116.

**Financial year** 1 January – 31 December.

**Capital** Sum of the NAV of all the Sub-Funds.

**Minimum capital (under Luxembourg law)** EUR 1,250,000 or equivalent in any other currency. The capital of the SICAV varies automatically with the issue and redemption of Shares.

**Par value of Shares** None.

**Share capital currency** EUR.

## STRUCTURE AND GOVERNING LAW

The SICAV functions as an “umbrella” under which the Sub-Funds are created and operate. The assets and liabilities of each Sub-Fund are segregated from those of other Sub-Funds; there is no cross-liability between Sub-Funds, and assets of a Sub-Fund are invested only for that Sub-Fund's Shareholders. The SICAV qualifies as an Undertaking for Collective Investment in Transferable Securities (UCITS) under the 2010 Law, and is registered on the official list of collective investment undertakings maintained by the CSSF.

## MEMBERS OF THE BOARD OF DIRECTORS

**Chairman: Geoffroy Reiss**

Residing in France

Chief Operating Officer AXA IM Core  
AXA Investment Managers Paris

**Jean-Louis Laforge**

Residing in France

Deputy Chief Executive Officer  
AXA Investment Managers Paris

**Martin Burke**

Residing in France

Head of Product Lifecycle  
AXA Investment Managers Paris

**Matthieu Tonneau**

Residing in France

Chief Risk Officer  
AXA Investment Managers Paris

**Emmanuel Dendauw**

Residing in Belgium

Head of Retail Distribution

AXA Investment Managers Benelux

## THE BOARD OF DIRECTORS

The Board is responsible for the overall administration, control and management of the SICAV including the determination of the investment objective and policies of each Sub-Fund. In particular, the Board is responsible for the monitoring and the overall supervision and control of the Management Company. To this effect, the Board may give board recommendations to the Management Company in relation to, without limitation, the structure, promotion, administration, investment management and distribution of the SICAV and the contents of any documentation relating to the SICAV (including, but not limited to, this document, Product Key Facts Statements of the Sub-Funds and any marketing material).

The Board is responsible for the information in this document, Product Key Facts Statements of the Sub-Funds and has taken all reasonable care to ensure that it is materially true, accurate and complete.

Directors serve until their term ends, they resign, or they are revoked, in accordance with the Articles of Incorporation. Any additional directors will be appointed in accordance with the Articles of Incorporation and Luxembourg law.

## SHAREHOLDER MEETINGS

The annual general meeting is held at the registered office of the SICAV in Luxembourg within four (4) months after the end of the financial year. Other Shareholder meetings can be held at other places and times. Notices of all meetings will be distributed to Shareholders and published as required by law (in the *RESA* and the *d'Wort* in Luxembourg and in such other newspapers as the Board may determine), and will include the exact meeting location and time, the conditions of admission, the agenda, the quorum and the voting requirements and will be given at least eight (8) clear days prior to the meetings. Shareholders may vote by proxy or may attend the meeting and vote in person.

The Board may suspend the voting rights of any Shareholder in breach of his or her obligations as described by this document, the Articles or any relevant contractual arrangement entered into by such Shareholder. A Shareholder may also individually decide not to exercise, temporarily or permanently, all or part of his or her voting rights. The waiving Shareholder is bound by such waiver and the waiver is mandatory for the SICAV upon notification of the latter. In case the voting rights of one or several shareholders are suspended or the exercise of the voting rights has been waived by one or several shareholders in accordance with the paragraphs above, such shareholders may attend any general meeting of the Company but the shares they hold are not taken into account for the determination of the conditions of quorum and majority to be complied with at the general meetings of the Company.

If the capital of the SICAV falls to less than two-thirds of the legal minimum, the Board must ask the annual general meeting whether the SICAV should be dissolved.

If the capital becomes less than one-quarter of the legal minimum, Shareholders representing one-quarter of the Shares present can vote on whether to dissolve the SICAV. Any such meeting must be convened within forty (40) days of the day on which it appears that the capital has fallen below two-thirds or one quarter of the minimum capital, as the case may be.



## MATERIAL CONTRACTS

The following contracts have been entered into by the SICAV and are, or may be, material or contain indemnities in favor of the other parties thereto other than in respect of negligence or willful default:

- Management Company Services Agreement dated 26 July 2021 between the SICAV and the Management Company (the "Management Company Services Agreement"). The Management Company Services Agreement may be terminated upon three months' written notice.
- Depositary agreement dated 18th March 2016 between the SICAV and the depositary (the "Depositary Agreement"). The Depositary Agreement may be terminated upon 180 calendar days' prior written notice.
- Administration Agency, Domiciliary, Paying Agency, Listing Agency and Registrar and Transfer Agency Agreement dated 31<sup>st</sup> March 2006, as amended, between the SICAV and the Management Company on the one part and State Street Bank International GmbH, Luxembourg Branch on the other part (the "Administration Agreement"). The Administration Agreement may be terminated upon 90 days' written notice.

## NOTICES AND PUBLICATIONS

### Publication of Notices

Notice of any material change to the SICAV or its Sub-Funds will be mailed to investors or their intermediary at the address of record as stated in the SICAV's register. If applicable, a revised Hong Kong Offering Memorandum and Product Key Facts Statements of the Sub-Funds applicable, will also be made available.

Notices of mergers or, as the case may be, liquidations will be distributed 30 days in advance, and will indicate the reasons for the mergers.

Unless otherwise required by applicable laws or regulations, changes not materially impacting shareholders may, under exceptional circumstances, be notified only by way of publication on the following website: [Funds - AXA IM Global \(axa-im.com\)](https://www.axa-im.com).

The dealing price per Share of each Sub-Fund (exclusive of the maximum entry charge) which will be the same price for issues and redemptions will be published each Business Day in the website [www.axa-im.com.hk](https://www.axa-im.com.hk).

Information on the past performance of the previous year appears in the Financial Reports. Annual audited accounts and un-audited half yearly accounts (available in English only) may be sent upon request to Shareholders who apply through the Hong Kong representative or otherwise from Hong Kong. Audited annual reports are issued within four months of the end of the financial year. Unaudited semi-annual reports are issued within two months of the end of the period they cover. The financial period of the SICAV is the calendar year. The audited annual reports will be prepared as at 31st December each year. The unaudited semi-annual reports will be prepared as at 30th June each year. As an alternative to the distribution of printed financial reports, electronic copies of the audited annual reports (in English) and un-audited half-yearly reports (in English) will be available on [www.axa-im.com](https://www.axa-im.com) and [www.axa-im.com.hk](https://www.axa-im.com.hk). In addition, hardcopies of the relevant accounts and reports will be available for inspection and collection from the Hong Kong representative.

### Documents available for inspection

Investment Management Agreements have been entered into dated 3 June 2002 for AXA Investment Managers UK, 14 January 2003 for AXA Investment Managers Paris and 1 November 2006 for AXA Investment Managers US Inc., 7 February 2020 for AXA Real Estate Investment Managers SGP between the Management Company and the investment managers of the Sub-Funds as authorised in Hong Kong and managed by them. The Hong Kong representative has been appointed by an agreement dated 9 September 1999.

The documents available for inspection are as follows:

- the Articles of Incorporation;
- Depositary Agreement dated 18 March 2016 with State Street Bank International GmbH, Luxembourg Branch;
- Administration Agency, Domiciliary, Corporate and Paying Agency, Listing Agency and Registrar and Transfer Agency Agreement dated 29 August 2006 as amended concluded between the SICAV, the Management Company and State Street Bank International GmbH, Luxembourg Branch;
- Placement Agent Agreement as entered into by the SICAV;
- Investment Management Agreements entered into with the Management Company for the SICAV as mentioned above;
- Information regarding procedure on clients' complaints handling;
- the Management Company Services Agreement dated 26 July 2021 between the SICAV and the Management Company;
- the Hong Kong representative Agreement;
- the Hong Kong representative's Undertaking to the SFC dated 8 July 1999;
- the Undertaking of the SICAV to the SFC dated 12 April 1999;
- Investment restrictions under the Law of 2010 applicable to the SICAV; and
- the risk management policy on the use of financial derivative instruments as amended.

All the above documents with any supplements thereto and any summary thereof as well as the latest audited annual accounts and report of the SICAV and, if later, the semi-annual accounts are available for inspection at the office of the Hong Kong representative during its normal business hours.

As an alternative to the distribution of printed financial reports, electronic copies of the audited annual reports (in English) and un-audited half-yearly reports (in English) will be available on [www.axa-im.com](https://www.axa-im.com) and [www.axa-im.com.hk](https://www.axa-im.com.hk). These reports will also be made available for inspection at the registered office of the Hong Kong representative.

All of the documents may be purchased at a charge of HK\$125 per document except that any Shareholder may, at any time, request, free of charge, the annual and half yearly accounts and the Articles of Incorporation of the SICAV.

## LIQUIDATION OR MERGER

### Liquidation

The Board may decide to liquidate the SICAV, a Sub-Fund or a Share Class if either of the following is true:

- The total net assets of the SICAV or a Sub-Fund remain below EUR 840,000 (or the equivalent in another currency of denomination) for 30 consecutive days.
- The Board believes liquidation is appropriate because of changes in the economic or political situation affecting the SICAV or the relevant Sub-Fund or Share Class.

After giving prior notice to the relevant Shareholders, the Board may redeem all of the Shares in question on the first Valuation Day after the end of the notice period, at an NAV that reflects the anticipated liquidation costs but with no other redemption charge.

Should the SICAV need to liquidate, one or more liquidators appointed by the Shareholders' meeting will liquidate the SICAV's assets in the best interest of the Shareholders and will distribute the net proceeds (after deduction of any costs relating to the liquidation) to Shareholders in proportion to the Shares they are holding.

Amounts from any liquidations that are not claimed promptly by Shareholders will be deposited in escrow with the Caisse de Consignation. Amounts still unclaimed within the period of 30 years or such other period when the statute of limitations runs out will be forfeited according to Luxembourg law.



## Merger

The Board may decide to merge the SICAV with another UCITS or with a sub-fund of another UCITS. If the SICAV would cease to exist because of the merger, the Shareholders must approve the merger and its effective date by a majority of the votes cast at a general meeting, with no quorum required. If the SICAV will continue to exist after the merger, the Board may decide on the merger and its effective date. The Board may also decide to merge any Sub-Fund into another Sub-Fund, another UCITS, or a sub-fund of another UCITS.

As appropriate, the Shares of the SICAV will be redesignated as Shares of the other Sub-Fund, UCITS or sub-fund of the other UCITS.

The Shareholders will in any case be entitled to request, without any charge other than those retained by the SICAV or the Sub-Fund to meet disinvestment costs, the repurchase or redemption of their Shares, or, where possible, to convert them into units or shares of another UCITS pursuing a similar investment policy and managed by the Management Company or by any other company with which the Management Company is linked by common management or control, or by substantial direct or indirect holding, in accordance with the provisions of the 2010 Law.

Cost associated with the preparation and the completion of the merger shall neither be charged to the SICAV nor to its Shareholders.

A merger so decided by the Board or approved by the Shareholders of the relevant Sub-Fund will be binding on the holders of Shares of the relevant Sub-Fund upon 30 days' prior notice thereof given to them during which period Shareholders may redeem their Shares without redemption charge. The prior notice period given to Shareholders in Hong Kong as mentioned above will be subject to the requirements of the SFC.

# The Management Company

## OPERATIONS AND BUSINESS STRUCTURE

**Management Company** AXA Investment Managers Paris, a BNP Paribas Group company and a subsidiary of AXA Investment Managers S.A.

### Registered office

Tour Majunga, La Défense 9,  
6, place de la Pyramide,  
92800 Puteaux, France

### Other contact information

[Page d'accueil | AXA IM FR \(axa-im.fr\)](#)

**Legal form of company** *Société anonyme*.

**Incorporation** 7 April 1992

**Articles of incorporation** Most recently modified on 26 January 2023 and filed with the *greffe du tribunal de commerce de Nanterre* on 28 February 2023.

**Legal jurisdiction** France

**Registration number** R.C.S. Nanterre 353 534 506

Authorized as management company by the AMF under number GP 92008

**Authorised and issued share capital** EUR 1,421,906.00

## AGREEMENT AND GOVERNING LAW

The SICAV has appointed the Management Company pursuant to a Management Company services agreement dated as of 29 August 2006.

The Management Company is in charge of the day-to-day operations of the SICAV, with responsibility for investment management services, administrative services and marketing services subject to the overall supervision and control of the Board. The Management Company has the option of delegating to third parties some or all of its responsibilities, subject to the approval of the SICAV and the CSSF, and provided that the Management Company retains the responsibility and oversight over such delegates. The Management Company has delegated, with prior notification of the CSSF and provided that it complies with all the conditions provided for by the Law of 2010 and that it retains responsibility and oversight over such delegates, (i) transfer agency and administration to third parties, as detailed below and (ii) investment management, marketing, internal audit, to AXA IM entities. Risk management and compliance functions are carried out by the Management Company. The Management Company's liability towards the SICAV and its investors shall not be affected by the fact that it has delegated its functions and duties to third parties or by any further sub-delegation.

The Management Company also manages other funds.

## THE BOARD OF DIRECTORS

### Executive management

#### Jean-Christophe Ménioux

Residing in France

*Deputy Chief Executive, Global Chief Operating Officer*

AXA Investment Managers

#### René Rauscher-Marroc

Residing in France

*Deputy Chief Executive, Global Head of Security & Procurement*

AXA Investment Managers Paris

#### Jean-Louis Laforge

Residing in France

*Deputy Chief Executive Officer*

AXA Investment Managers Paris

### Board of directors

#### Jean-Christophe Ménioux

Residing in France

*Deputy Chief Executive, Global Chief Operating Officer*

AXA Investment Managers

#### Anne Bon

Residing in France

*Chief Operating Officer AXA IM Alts*

AXA Investment Managers Paris

#### Geoffroy Reiss

Residing in France,

*Chief Operating Officer AXA IM Core*

AXA Investment Managers Paris

**AXA Investment Managers S.A.**, represented by Caroline Portel, residing in France, *Global Chief Operating Officer*

## REMUNERATION POLICY

The Management Company has approved and adopted AXA IM's Global Remuneration Policy, in accordance with the applicable regulations, which is consistent with, and promotes, sound and effective risk management; does not encourage risk-taking which is inconsistent with the risk profiles of the SICAV or the Articles of Incorporation, and does not impair compliance of the Management Company's duty to act in the best interests of the SICAV.

AXA IM's Global Remuneration Policy, which has been approved by the AXA IM Remuneration Committee, sets out the principles relating to remuneration within all entities of AXA IM (including the Management Company) and takes into account AXA IM's business strategy, objectives, and risk tolerance, as well as the long-term interests of AXA IM's shareholders, employees and clients (including the SICAV). The AXA IM Remuneration Committee is responsible for determining and reviewing the AXA IM remuneration guidelines, including the AXA IM Global Remuneration Policy, as well as reviewing the annual remuneration of senior executives of the AXA IM Group and senior officers in control functions.

AXA IM provides both fixed and variable remuneration. An employee's fixed remuneration is structured to reward organisational responsibility, professional experience and the individual's capability to perform the duties of the role. Variable remuneration is based on performance and may be awarded annually on both a non-deferred and, for certain employees, a deferred basis. Non-deferred variable remuneration may be awarded in cash or, where appropriate and subject to local laws and regulation, in instruments linked to the performance of AXA IM funds. Deferred remuneration is awarded through various instruments structured to reward medium and long term value creation for clients and AXA IM and long term value creation for the AXA IM Group. AXA IM ensures appropriate balances between fixed and variable remuneration and deferred and non-deferred remuneration.

Details of the up-to-date AXA IM Global Remuneration Policy are published online at <https://www.axa-im.com/remuneration>. This includes the description of how remuneration and benefits are awarded for employees, and further information on the AXA IM Remuneration Committee. The Management Company and the

Hong Kong representative shall provide a paper copy free of charge upon request.

#### Payment of retrocessions and rebates:

As part of its commercial development policy, the Management Company may decide to develop contacts with various financial intermediaries who, in turn, are in contact with client segments likely to invest in the funds of the Management Company. The Management Company applies a strict selection policy of its partners and determines the conditions of their remuneration (one-off or recurring), calculated either on a lump sum basis or in proportion to the management fees received, in order to preserve the long term stability of the relationship.

The Management Company may, on a discretionary basis, grant rebates directly to investors on request depending on commercial interests. Rebates are used to reduce the fees or expenses of the investors concerned.

Rebates are permitted provided that they are paid out of the remuneration received by the Management Company and therefore do not represent an additional charge for the SICAV and are granted on the basis of objective criteria.

For more information, please refer to the document 'Remuneration for the distribution of Undertakings for Collective Investment and rebates to certain holders' available on the website [Important Information | Terms of Use | AXA IM Corporate \(axa-im.com\)](#).

#### **Dealings and Commissions**

Neither the Management Company, the Investment Managers, the Sub-Investment Managers nor their associates will receive cash rebates from any broker or dealer in respect of the transactions for account of any relevant Sub-Fund and they do not enter into soft dollar arrangements with brokers or dealers.

## **BENCHMARK REGULATION**

Certain Sub-Funds are actively managed in reference to a benchmark index, as defined by the Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds ("BMR"), according to the ESMA Q&A on application of the UCITS Directive (please refer to "Investment Strategy" sub-section in the Sub-Fund Descriptions" section of the relevant Sub-Funds).

As required by article 28(2) of BMR, the Management Company has adopted a written plan setting out actions, which it will take with respect to the Sub-Funds using a benchmark as defined by BMR in the event that the benchmark index materially changes or ceases to be provided (the "Contingency Plan"). You may access the Contingency Plan free of charge at the registered office of the Hong Kong representative. At the date of the latest update of this document, the Benchmark administrators as defined by BMR are listed in the ESMA Register that you may consult at <https://registers.esma.europa.eu/publication>.

## **SERVICE PROVIDERS**

### **INVESTMENT MANAGERS**

#### **AXA Real Estate Investment Managers SGP**

Tour Majunga  
La Défense 9  
6, place de la Pyramide  
92800 Puteaux  
FRANCE

#### **AXA Investment Managers UK Limited**

22 Bishopsgate  
London EC2N 4BQ  
UK

#### **AXA Investment Managers US Inc.**

400 Atlantic Street, Suite 1000  
Stamford, CT 06901  
USA

## **SUB-INVESTMENT MANAGERS**

#### **AXA Real Estate Investment Managers SGP**

Tour Majunga  
La Défense 9  
6, place de la Pyramide  
92800 Puteaux  
FRANCE

#### **AXA Investment Managers UK Limited**

22 Bishopsgate  
London EC2N 4BQ  
UK

#### **AXA Investment Managers US Inc.**

400 Atlantic Street, Suite 1000  
Stamford, CT 06901  
USA

Each Sub-Fund's Investment Manager handles the day-to-day management of that Sub-Fund.

An Investment Manager may appoint sub-delegates, at its own expense and responsibility, to manage all or part of the assets of some Sub-Funds, or provide recommendations on any investment portfolio subject to the approval of the CSSF. The appointed entity will be disclosed in "Sub-Fund Descriptions".

For its services, the Investment Manager is entitled to receive the management fee described in "Sub-Fund Descriptions". The Management Company is responsible for the payment of these fees to Investment Managers.

The Investment Manager provides advice and/or recommendations on the implementation of the Sub-Fund's investment strategy.

Three months' prior notice (or such shorter period as the SFC may determine) will be given to Shareholders in the event of an increase in the current rate of annual management fees up to the maximum level. Shareholders' consent will be sought in the event of an increase beyond the maximum levels.

## **DEPOSITARY**

#### **State Street Bank International GmbH, Luxembourg Branch**

49, Avenue J.F. Kennedy

L - 1855 Luxembourg

Grand Duchy of Luxembourg

The rights and duties of the depositary (the "**Depositary**") are governed by the Depositary Agreement dated 18 March 2016. In performing its obligations under the Depositary Agreement, the Depositary shall observe and comply with (i) Luxembourg laws, (ii) the Depositary Agreement and (iii) the terms of this document. Furthermore, in carrying out its role as depositary bank, the Depositary must act solely in the interest of the SICAV and of its Shareholders.

The SICAV had appointed State Street Bank International GmbH, Luxembourg Branch as its Depositary within the meaning of the 2010 Law pursuant to the Depositary Agreement.

State Street Bank International GmbH is a limited liability company organized under the laws of Germany, having its registered office at Brienner Str. 59, 80333 München, Germany and registered with the commercial register court, Munich under number HRB 42872. It is a credit institution supervised by the European Central Bank (ECB), the German Federal Financial Services Supervisory Authority (BaFin) and the German Central Bank. State Street Bank International GmbH, Luxembourg Branch is authorized by the CSSF in Luxembourg to act as depositary and central administration agent for Luxembourg funds, which

includes the SICAV and is specialized in depositary, fund administration, and related services. In this respect the CSSF supervises State Street Bank International GmbH, Luxembourg Branch. State Street Bank International GmbH, Luxembourg Branch is registered in the Luxembourg Commercial and Companies' Register (RCS) under number B 148 186. State Street Bank International GmbH is a member of the State Street group of companies having as its ultimate parent State Street Corporation, a US publicly listed company.

### Depositary's functions

The relationship between the SICAV and the Depositary is subject to the terms of the Depositary Agreement. Under the terms of the Depositary Agreement, the Depositary is entrusted with following main functions:

- ensuring that the sale, issue, repurchase, redemption and cancellation of Shares are carried out in accordance with applicable law and the Articles of Incorporation.
- ensuring that the value of the Shares is calculated in accordance with applicable law and the Articles of Incorporation.
- carrying out the instructions of the SICAV unless they conflict with applicable law and the Articles of Incorporation.
- ensuring that in transactions involving the assets of the SICAV any consideration is remitted within the usual time limits.
- ensuring that the income of the UCITS is applied in accordance with applicable law and the Articles of Incorporation.
- monitoring of the SICAV's cash and cash flows.
- safe-keeping of the SICAV's assets, including the safekeeping of financial instruments to be held in custody and ownership verification and record keeping in relation to other assets.

### Depositary's liability

In the event of a loss of a financial instrument held in custody, determined in accordance with the UCITS Directive, and in particular Article 18 of the UCITS Regulation 2016/438 of 17 December 2015 supplementing Directive 2009/65/EC of the European Parliament and of the Council with regard to obligations of depositaries, the Depositary shall return financial instruments of identical type or the corresponding amount to the SICAV acting on behalf of the SICAV without undue delay.

The Depositary shall not be liable if it can prove that the loss of a financial instrument held in custody has arisen as a result of an external event beyond its reasonable control, the consequences of which would have been unavoidable despite all reasonable efforts to the contrary pursuant to the UCITS Directive.

In case of a loss of financial instruments held in custody, the shareholders may invoke the liability of the Depositary directly or indirectly through the Fund provided that this does not lead to a duplication of redress or to unequal treatment of the shareholders.

The Depositary will be liable to the SICAV for all other losses suffered by the SICAV as a result of the Depositary's negligent or intentional failure to properly fulfil its obligations pursuant to the UCITS Directive.

The Depositary shall not be liable for consequential or indirect or special damages or losses, arising out of or in connection with the performance or non-performance by the Depositary of its duties and obligations.

### Delegation

The Depositary has full power to delegate the whole or any part of its safe-keeping functions but its liability will not be affected by the fact that it has entrusted to a third party some or all of the assets in its safekeeping. The Depositary's liability shall not be affected by any delegation of its safe-keeping functions under the Depositary Agreement.

The Depositary has delegated those safekeeping duties set out in

Article 22(5)(a) of the UCITS Directive to State Street Bank and Trust Company with registered office at One Congress Street, Suite 1, Boston, MA 02114-2016, USA, whom it has appointed as its global sub-custodian. State Street Bank and Trust Company as global sub-custodian has appointed local sub-custodians within the State Street Global Custody Network.

Information about the safe-keeping functions which have been delegated and the identification of the relevant delegates and sub-delegates are available at the registered office of the SICAV or at the following internet site:

<http://www.statestreet.com/about/office-locations/luxembourg/subcustodians.html>.

### Conflicts of interest

The Depositary is part of an international group of companies and businesses that, in the ordinary course of their business, act simultaneously for a large number of clients, as well as for their own account, which may result in actual or potential conflicts. Conflicts of interest arise where the Depositary or its affiliates engage in activities under the depositary agreement or under separate contractual or other arrangements. Such activities may include:

(i) providing nominee, administration, registrar and transfer agency, research, agent securities lending, investment management, financial advice and/or other advisory services to the SICAV;

(ii) engaging in banking, sales and trading transactions including foreign exchange, derivative, principal lending, broking, market making or other financial transactions with the SICAV either as principal and in the interests of itself, or for other clients.

In connection with the above activities the Depositary or its affiliates:

(i) will seek to profit from such activities and are entitled to receive and retain any profits or compensation in any form and, except as required by law, are not bound to disclose to the SICAV, any such profits or compensation in any form, including any fee, charge, commission, revenue share, spread, mark-up, mark-down, interest, rebate, discount, or other benefit received in connection with any such activities;

(ii) may buy, sell, issue, deal with or hold, securities or other financial products or instruments as principal acting in its own interests, the interests of its affiliates or for its other clients;

(iii) may trade in the same or opposite direction to the transactions undertaken, including based upon information in its possession that is not available to the SICAV;

(iv) may provide the same or similar services to other clients including competitors of the SICAV and the fee arrangements it has in place will vary;

(v) may be granted creditors' rights by the SICAV, e.g. indemnification, which it may exercise in its own interest.

The SICAV may use an affiliate of the Depositary to execute foreign exchange, spot or swap transactions for the account of the SICAV. In such instances the affiliate shall be acting in a principal capacity and not as a broker, agent or fiduciary of the SICAV. The affiliate will seek to profit from these transactions and is entitled to retain and not disclose any profit to the SICAV.

The affiliate shall enter into such transactions on the terms and conditions agreed with the SICAV.

Where cash belonging to the SICAV is deposited with an affiliate being a bank, a potential conflict arises in relation to the interest (if any) which the affiliate may pay or charge to such account and the fees or other benefits which it may derive from holding such cash as banker.

The Management Company may also be a client or counterparty of the Depositary or its affiliates.

Potential conflicts that may arise in the Depositary's use of sub-custodians include the following broad categories:



(1) conflicts from the sub-custodian selection and asset allocation among multiple sub-custodians influenced by (a) cost factors, including lowest fees charged, fee rebates or similar incentives and (b) broad two-way commercial relationships in which the Depositary may act based on the economic value of the broader relationship, in addition to objective evaluation criteria;

(2) sub-custodians, both affiliated and non-affiliated, act for other clients and in their own proprietary interest, which might conflict with clients' interests and the fee arrangements they have in place will vary;

(3) sub-custodians, both affiliated and non-affiliated, have only indirect relationships with clients and look to the Depositary as its counterparty, which might create incentive for the Depositary to act in its self-interest, or other clients' interests to the detriment of clients; and

(4) sub-custodians may have market-based creditors' rights against client assets that they have an interest in enforcing.

In carrying out its duties the Depositary shall act honestly, fairly, professionally, independently and solely in the interests of the SICAV and its Shareholders.

The Depositary has functionally and hierarchically separated the performance of its depositary tasks from its other potentially conflicting tasks. The system of internal controls, the different reporting lines, the allocation of tasks and the management reporting allow potential conflicts of interest to be properly identified, managed and monitored. Additionally, in the context of the Depositary's use of sub-custodians, the Depositary imposes contractual restrictions to address some of the potential conflicts and maintains due diligence and oversight of sub-custodians to ensure a high level of client service by those agents. The Depositary further provides frequent reporting on clients' activity and holdings, with the underlying sub-custodians subject to internal and external control audits. Finally, the Depositary segregates the SICAV's assets from its proprietary assets and follows a Standard of Conduct that requires employees to act ethically, fairly and transparently with clients.

Up-to-date information on the Depositary, its duties, any conflicts that may arise, the safe-keeping functions delegated by the Depositary, the list of delegates and sub-delegates and any conflicts of interest that may arise from such a delegation will be made available to Shareholders on request.

### **Termination**

Each of the SICAV or the Depositary may terminate the Depositary Agreement on 180 calendar days' prior written notice. The Depositary Agreement may also be terminated on shorter notice in certain circumstances. However, the Depositary shall continue to act as depositary for up to two months pending a replacement depositary being appointed and until such replacement, the Depositary shall take all necessary steps to ensure the good preservation of the interests of the Shareholders of the SICAV and allow the transfer of all assets of the SICAV to the succeeding depositary.

### **Disclaimer**

The Depositary has no decision-making discretion relating to the SICAV's investments. The Depositary is a service provider to the SICAV and is not responsible for the preparation of this document, or the activities of the SICAV.

In accordance with the 2010 Law, the Management Company has entered into an operating memorandum with the Depositary to regulate the flow of information deemed necessary to allow the Depositary to perform its obligations under the Depositary Agreement and the 2010 Law.

## **ADMINISTRATIVE, DOMICILIARY, CORPORATE AND PAYING AGENT, REGISTRAR AND TRANSFER AGENT**

**State Street Bank International GmbH, Luxembourg Branch,**

49, Avenue J.F. Kennedy

L - 1855 Luxembourg

Grand Duchy of Luxembourg

With the consent of the SICAV, the Management Company had appointed State Street Bank International GmbH, Luxembourg Branch also as administrative, registrar and transfer agent and as domiciliary and paying agent of the SICAV (the Administrator) pursuant to the Administration Agreement.

The relationship between the SICAV, the Management Company and the Administrator is subject to the terms of the Administration Agreement. Under the terms of the Administration Agreement, the Administrator will carry out all general administrative duties related to the administration of the SICAV required by Luxembourg law, calculate the Net Asset Value per Share, maintain the accounting records of the SICAV, process all subscriptions, redemptions, conversions, and transfers of Shares, register these transactions in the register of shareholders as well as produce and/or deliver documents intended for investors. In addition, as registrar and transfer agent of the SICAV, the Administrator is also responsible for collecting the required information and performing verifications on investors to comply with applicable anti-money laundering rules and regulations.

The Administrator is not responsible for any investment decisions of the SICAV or the effect of such investment decisions on the performance of the SICAV.

The Administration Agreement has no fixed duration and each party may, in principle, terminate the agreement on not less than ninety (90) calendar days' prior written notice. The Administration Agreement may also be terminated on shorter notice in certain circumstances, for instance where one party commits a material breach of a material clause of the Administration Agreement. The Administration Agreement may be terminated by the Management Company with immediate effect if this is deemed by the Management Company to be in the interest of the investors. The Administration Agreement contains provisions exempting the Administrator from liability and indemnifying the Administrator in certain circumstances. However, the liability of the Administrator towards the Management Company and the SICAV will not be affected by any delegation of functions by the Administrator.

## **STOCK LENDING AND REPURCHASE AGENT**

**AXA Investment Managers GS Limited**

22 Bishopsgate

London EC2N 4BQ

UK

The Management Company has appointed the stock lending and repurchase agent pursuant to a delegation agreement dated 15 February 2013 to carry out its stock lending and repurchase agreements activities and notably for the counterparties' selection and the management of the collateral.

Depending on the local licensing requirements of AXA Investment Managers GS Limited and/or the relevant Sub-Funds, it may, under its supervision, sub-delegate certain securities lending and repurchase agency services.

## **SUB-DELEGATED STOCK LENDING AND REPURCHASE AGENT**

**AXA Investment Managers IF**

Tour Majunga, La Défense

6 Place de la Pyramide

92800 Puteaux

France

AXA Investment Managers IF, AXA Investment Managers GS Limited and the Management Company are affiliates companies belonging to AXA IM Group. In order to prevent any conflicts of interest, AXA IM Group has put in place a conflicts of interest policy, details of which are available on <https://www.axa-im.lu/mifid>.

## **INTERMEDIARIES HANDLING TRANSACTIONS OF THE SHARES**

The Management Company may engage distributors to promote the Shares and handle transactions in Sub-Fund Shares in certain countries or markets.

Note that investors will only be able to fully exercise their investor's rights directly against the SICAV (in particular the right to participate in general Shareholders' meetings) if they are directly registered as the owner of the Shares in the SICAV's register of Shareholders. If investors invest through an intermediary, the ownership of Shares may be recorded in the intermediary's name, in which case investors may not be able to exercise all Shareholder's rights themselves. Investors are advised to seek advice on their rights (in particular the ability to provide the intermediary with specific or general voting instructions in general Shareholder's meetings).

Nominees are banks and financial institutions appointed as distributors or the company responsible for arranging the distribution of the Shares of the SICAV which act as intermediaries between investors and the SICAV. Subject to local laws in countries where Shares are offered, the distributors and their agents, if any, may, on the request of the respective investor, act as nominee for such investors. In some countries, use of a nominee service is mandatory, either for legal or practical reasons. With a nominee service, a distributor or local paying agent purchases and holds the Shares as a nominee in its own name but for the account of the investor. In other countries, investors have the option of investing through the nominee services offered by the distributors or local paying agents, or directly with the SICAV.

Whenever the use of a nominee service is not mandatory, investors who use a nominee service may at any time submit an appropriate written request to the nominee that the Shares held for them be registered in their own name. Note that the minimum holding amounts of a particular Share Class described in "Investing in the Sub-Funds", if any, will apply.

## **AUDITOR**

**PricewaterhouseCoopers, Société coopérative**

2, rue Gerhard Mercator  
L-2182 Luxembourg  
LUXEMBOURG

The auditor provides independent review of the financial statements of the SICAV and all Sub-Funds.

## **LEGAL ADVISER**

**Arendt & Medernach S.A.**

41 A, avenue J-F Kennedy  
L-2082 Luxembourg  
LUXEMBOURG

The legal adviser provides independent legal advice on business, regulatory, tax, and other matters, as requested.

## **HONG KONG REPRESENTATIVE & PLACEMENT AGENT**

**AXA Investment Managers Asia Limited**

Suites 3603 – 05, 36/F,  
One Taikoo Place, Taikoo Place  
979 King's Road  
Quarry Bay,  
HONG KONG

The Hong Kong representative represents the SICAV in Hong Kong in relation to all matters involving Shareholders as well as receiving requests from Hong Kong investors for buying, switching, redeeming and transfer of Shares.

# Terms with Specific Meanings

The following terms have these specific meanings within this document:

**2010 Law** Luxembourg law of December 17, 2010 on Undertakings for Collective Investment in Transferable Securities, as amended from time to time.

**A Shares** Securities issued by companies incorporated in the PRC and listed on Shanghai or Shenzhen stock exchange.

**Application Form** The appropriate application form for the subscription, the redemption and the conversion of Shares of the SICAV available at the Hong Kong representative or distributors' registered office.

**Articles of Incorporation** The Articles of Incorporation of the SICAV, as amended from time to time.

**AXA IM Group** Any entity over which BNP Paribas has direct, indirect, or alternate control.

**Benefit Plan Investor** Any benefit plan investor as defined in regulations issued by the US Department of Labor, being any (a) "employee benefit plan" as defined in Section 3(3) of ERISA (whether or not subject to Title 1 of ERISA), (b) "plan" described in Section 4975(e)(i) of the US Internal Revenue Code that is subject to Section 4975 thereof, and (c) entity any of the assets of which include the assets of such "employee benefit plan" or "plan".

**Best-in-Class** A type of ESG selection consisting of giving priority to the companies best rated from a non-financial viewpoint within their sector of activity, without favouring or excluding one sector relative to the stock market index or customized universe used as a basis for starting.

**Best-in-Universe** A type of ESG selection consisting of giving priority to the issuers best rated from a non-financial viewpoint irrespective of their sector of activity, and accepting sector biases, because the sectors which are considered more virtuous on the whole will be more heavily represented.

**Board** The Board of directors of the SICAV.

**Business Day** Any day that is a full banking business day and/or a full day on which the relevant stock exchange(s) is/are opened in the country(ies) of reference for a given Sub-Fund, as described in "Sub-Fund Descriptions".

**Callable Bond (or redeemable bond)**

Type of bond allowing its issuer to redeem the bond prior to its maturity date.

**Canadian Prohibited Investor** means any natural person who is a resident of Canada (including its territories and possessions and any province of Canada) and any legal entity formed under the laws of Canada or any province or territory thereof, except where otherwise beforehand determined by the distributor as qualifying as in compliance with applicable local laws and regulations under "Permitted Clients" exemption.

**CSRC** *China Securities Regulatory Commission*, the main securities regulatory body in the PRC.

**CSSF** *Commission de Surveillance du Secteur Financier*, the Luxembourg financial supervisory authority.

**Dealing Price** The price at which Shares are subscribed, switched or redeemed. Dealing Prices are calculated on a policy as defined in "Sub-Fund Descriptions".

**Defaulted Securities** means a security whose issuer has failed to make an interest or principal payment according to the security's documentation and calendar. Defaulted securities are typically rated in the lower rating categories from rating agencies performing their surveillance (C by Moody's or D by Standard & Poor's) or are unrated securities considered by the Investment Manager of the relevant Sub-Fund to be of comparable quality.

**Distressed Securities** means debts that are officially in restructuring or in payment default and whose price is at least 50% lower than their face value and whose rating (by at least one of the major rating agencies including Standard & Poor's, Moody's and Fitch) is lower than CCC- or, if unrated, judged equivalent to this level by the Investment Manager.

**Equity-related securities** are commonly transferable securities that provide indirect ownership of, or results in the acquisition of, an equity. Examples include preferred shares, depositary receipts (ADR, GDR), participation notes, warrants or similar type of rights.

**EEA** European economic area i.e. EU member states, Iceland, Liechtenstein and Norway.

**ERISA** The US Employee Retirement Income Security Act of 1974, as amended, or any successor federal statute.

**ESG** Environmental, Social and Governance.

**EU** European Union.

**EU Taxonomy** Means EU Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment and focusing on climate change mitigation; climate change adaptation; the sustainable use and protection of water and marine resources; the transition to a circular economy; pollution prevention and control and the protection and restoration of biodiversity and ecosystems.

**European State** A member state of the EU or the European Economic Area.

**Financial Reports** Annual and semi-annual reports of the SICAV.

**Financial Product** A Sub-Fund of the SICAV

**Forward Pricing Basis** A policy under which orders received and accepted by the registrar agent by 15:00 Luxembourg Time on a Business Day (D) are processed at the Dealing Price applicable to such Valuation Day (D).

**Forward-Forward Pricing Basis** A policy under which orders received and accepted by the registrar agent by 15:00 Luxembourg time on any Business Day (D) are processed at the Dealing Price applicable to the following Valuation Day (D+1).

**GHG** Green house gas.

**H** Hedged (in Share Class names).

**Hard Currency** Means globally traded major currencies including, but not limited to, USD, EUR, AUD, CAD, JPY, CHF, GBP.

**Hong Kong Business Day** Any day other than a Saturday or Sunday on which banks in Hong Kong are open for business.

**Hong Kong Offering Memorandum** This document, as amended from time to time.

**Institutional Investor** An institutional investor as defined by guidelines or recommendations issued by the Regulatory authority from time to time. With respect to investors that are incorporated in the European Union, Institutional Investor means Eligible Counterparty and Professional Investors according to Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments, amended by Directive (EU) 2016/1034 of 23 June 2016.

**Interest Rate Sensitivity** The sensitivity measure indicates the expected percentage decline in investment value for a 1% increase in interest rates.

**Investment Grade** Rated at least BBB- by Standard & Poor's or equivalent ratings by Moody's or Fitch or, if unrated, judged equivalent to those levels by the Investment Manager.

The following **Key Performance Indicators (or "KPI")** may be used in the Sub-Funds:



<b>Carbon Intensity</b>	or Carbon Intensity by Revenues: Environmental KPI provided by Trucost S&P. The amount of Greenhouse Gas (GHG) released into the atmosphere per million \$ of revenue. It is expressed in CO <sub>2</sub> tons per millions \$ revenue.
<b>Gender Diversity at Board Level</b>	Governance KPI provided by Bloomberg for corporates. Asset weighted percentage of female board members at the companies held in portfolio.
<b>Water Intensity</b>	Environmental KPI provided by Trucost S&P for corporates. This KPI represents the amount of water diverted for use by the organization from all sources, including but not limited to surface, ground, saltwater, and municipal. Includes cooling water. It is expressed in cubic meters. For Sovereign, the KPI is provided by the World Bank and represents the freshwater withdrawal as a proportion of available freshwater resources. It is the ratio between total freshwater withdrawn by all major sectors and total renewable freshwater resources, after taking into account environmental water requirements

**NAV** Net asset value i.e. value of the assets of a Sub-Fund.

**Non-US Person** As defined under the Commodity Exchange Act, as amended from time to time:

- (i) a natural person who is not a resident of the United States;
- (ii) a partnership, corporation or other entity, other than an entity organised principally for passive investment, organised under the laws of a foreign jurisdiction and which has its principal place of business in a foreign jurisdiction;
- (iii) an estate or trust, the income of which is not subject to income tax regardless of source;
- (iv) an entity organised principally for passive investment such as a pool or an investment company provided that units of participation in the entity held by persons who do not qualify as Non-US Persons or otherwise as qualified eligible persons represent in the aggregate less than 10% of the beneficial interest in the entity, and that such entity was not formed principally for the purpose of facilitating investment by persons who do not qualify as Non-US Persons in a pool with respect to which the operator is exempt from certain requirements of Part 4 of the CFTC's regulations by virtue of its participants being Non-US Persons; and
- (v) a pension plan for the employees, officers or principals of an entity organised and with its principal place of business outside the United States.

**OECD** The Organization for Economic Co-operation and Development.

**OTC** Over-the-Counter.

**Other State** Any state that is not a member of the European Union, and any state of America, Africa, Asia and Oceania.

**Personal Account Number** The unique identification number issued to a Shareholder.

**PBOC** People's Bank of China.

**PRC** The People's of Republic of China.

**QFI** A qualified foreign investor.

**Reference Currency** The currency of a Sub-Fund.

**REITs** Real estate companies and Real Investment Trusts which are entities dedicated to owning, and in most cases, managing real estate. This may include, but is not limited to, real estate in the residential (apartments), commercial (shopping centres, offices) and industrial (factories, warehouses) sectors. Certain REITs may also engage in real estate financing transactions and other real estate development activities. The legal structure of a REIT, its investment restrictions and the regulatory and taxation regimes to which it is subject will differ depending on the jurisdictions in which it is established.

**SAFE** The State Administration of Foreign Exchange of the PRC.

**SEHK** The Stock Exchange of Hong Kong.

**Settlement Day** The day on which monies are received (in respect of subscriptions) or dispatched (in respect of redemptions) by the Depositary.

**SFC** Securities and Futures Commission in Hong Kong

**SFTs** Securities and financing transactions.

**Share** Share of any Sub-Fund (fully paid and of no par value).

**Share Class** Any class of Shares. A Share Class may have its own cost and fee structure, investment minimums, investor eligibility requirements, tax characteristics, and other features.

**Shareholder** Any person or entity owning Shares of any Sub-Fund.

**SICAV (Société d'investissement à capital variable)** AXA World Funds (or AXA WF).

**Solidarity Assets** Securities issued by companies undertaking solidarity projects with a strong social and/or environmental utility such as support to people living in difficult circumstances, fight against exclusion and inequalities, preservation and development of the social link, maintenance and strengthening of territorial cohesion, contribution to sustainable development, etc.

**Stock Connect** The securities trading and clearing linked program with an aim to achieve mutual access between China's and Hong Kong's stock exchanges.

**Sub-Fund** Any sub-fund of the SICAV i.e. a portfolio of assets invested according to the investment objective of the Sub-Fund.

**Sub-Investment Grade** Rated below BBB- by Standard & Poor's or equivalent ratings by Moody's or Fitch or, if unrated (i.e. neither the security itself nor its issuer has a credit rating), judged equivalent to those levels by the Investment Manager, unless specified otherwise in "Sub-Fund Descriptions".

**Sustainable Investment** An investment in an economic activity that contributes to an environmental objective, as measured, for example, by key resource efficiency indicators on the use of energy, renewable energy, raw materials, water and land, on the production of waste, and greenhouse gas emissions, or on its impact on biodiversity and the circular economy, or an investment in an economic activity that contributes to a social objective, in particular an investment that contributes to tackling inequality or that fosters social cohesion, social integration and labour relations, or an investment in human capital or economically or socially disadvantaged communities, provided that such investments do not significantly harm any of those objectives and that the investee companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance.

**Sustainability Risk** means an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment.

**UCI** An undertaking for collective investment as defined by Luxembourg law.



**UCITS Directive** Directive 2009/65/EC of the European Parliament and Council of 13 July 2009 on the coordination of laws, regulations and administrative positions relating to undertakings for collective investment in transferable securities (UCITS), as may be amended by the Directive 2014/91/EU of the European Parliament and Council of 23 July 2014 as regards depositary remuneration policies and sanctions as amended from time to time.

**US** The United States of America, including its territories and possessions.

**US Person** As defined under Regulation S promulgated under the 1933 US Securities Act, as amended from time to time:

- (i) (a) any natural person resident in the United States;
- (b) any partnership or corporation organized or incorporated under the laws of the United States;
- (c) any estate of which any executor or administrator is a US Person;
- (d) any trust of which any trustee is a US Person;
- (e) any agency or branch of a foreign entity located in the United States;
- (f) any non-discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary for the benefit or account of a US Person;
- (g) any discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary organized, incorporated, or (if an individual) resident in the United States; and
- (h) any partnership or corporation if:
  - organized or incorporated under the laws of any foreign jurisdiction; and
  - formed by a US Person principally for the purpose of investing in securities not registered under the 1933 US Securities Act, unless it is organized or incorporated, and owned, by accredited investors (as defined in Rule 501(a) under the 1933 US Securities Act) who are not natural persons, estates or trusts;
- (ii) notwithstanding (i) above, any discretionary account or similar account (other than an estate or trust) held for the benefit or account of a non-US Person by a dealer or other professional fiduciary organized, incorporated, or (if an individual) resident in the United States shall not be deemed a "US Person";
- (iii) notwithstanding (i) above, any estate of which any professional fiduciary acting as executor or administrator is a US Person shall not be deemed a "US Person" if:
  - (a) an executor or administrator of the estate who is not a US Person has sole or shared investment discretion with respect to the assets of the estate; and
  - (b) the estate is governed by foreign law;
- (iv) notwithstanding (i) above, any trust of which any professional fiduciary acting as trustee is a US Person shall not be deemed a US Person if a trustee who is not a US Person has sole or shared investment discretion with respect to the trust assets, and no beneficiary of the trust (and no settlor if the trust is revocable) is a "US Person";
- (v) notwithstanding (i) above, an employee benefit plan established and administered in accordance with the law of a country other than the United States and customary practices and documentation of such country shall not be deemed a "US Person";

(vi) notwithstanding (i) above, any agency or branch of a US Person located outside the United States shall not be deemed a "US Person" if:

- (a) the agency or branch operates for valid business reasons; and
  - (b) the agency or branch is engaged in the business of insurance or banking and is subject to substantive insurance or banking regulation, respectively, in the jurisdiction where located;
- (vii) the International Monetary Fund, the International Bank for Reconstruction and Development, the Inter-American Development Bank, the Asian Development Bank, the African Development Bank, the United Nations, and their agencies, affiliates and pension plans, and any other similar international organizations, their agencies, affiliates and pension plans shall not be deemed "US Persons".

**Valuation Day** A Business Day on which a NAV is calculated for a Sub-Fund and on which orders to subscribe for, redeem or convert Shares are accepted and traded at the Dealing Price applicable to such Business Day. Unless stated otherwise in the description of a specific Sub-Fund, or unless a suspension of trading in Shares is in effect, every day that is a Business Day for a Sub-Fund is also a Valuation Day.

*Words and expressions that are not defined in this document but are defined in the 2010 Law have the same meaning as in the 2010 Law.*



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## Currency Abbreviations

ARS	Argentine peso
AUD	Australian dollar
BRL	Brazilian real
CAD	Canadian dollar
CHF	Swiss franc
CLP	Chilean peso
CNH	Chinese renminbi referencing the exchange rate of RMB outside of China
CNY	Chinese renminbi referencing the exchange rate of RMB in China
CZK	Czech koruna
DKK	Danish krone
EUR	Euro
GBP	British pound sterling
HKD	Hong Kong dollar
HUF	Hungarian forint
IDR	Indonesian rupiah
INR	Indian rupee
JPY	Japanese yen
KRW	South Korean won
MXN	Mexican peso
MYR	Malaysian ringgit
NZD	New Zealand dollar
NOK	Norwegian krone
PEN	Peruvian nuevo sol
PHP	Philippine peso
PLN	Polish zloty
RMB	Chinese renminbi
RUB	Russian ruble
SEK	Swedish krona
SGD	Singapore dollar
THB	Thai baht
TRY	Turkish new lira
TWD	New Taiwan dollar
USD	United States dollar
ZAR	South African rand



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# SFDR Annexes



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**Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852**

**Product name:** AXA World Funds - Emerging Markets Short Duration Bonds (the "Financial Product")

**Legal entity identifier:** 2138006QV9ITIYYGQQ04

## Environmental and / or social characteristics

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Does this financial product have a sustainable investment objective?	
<input checked="" type="radio"/> <input checked="" type="radio"/> <input type="checkbox"/> YES	<input checked="" type="radio"/> <input type="radio"/> <input checked="" type="checkbox"/> NO
<input type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective</b> : _%	<input checked="" type="checkbox"/> It <b>promotes Environmental/Social (E/S) characteristics</b> and while it does not have as its objective a sustainable investment, it will have a minimum proportion of 10% of sustainable investments
<input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy	<input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
<input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy	<input checked="" type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
<input type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective</b> : _%	<input checked="" type="checkbox"/> with a social objective
	<input type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b>



### What environmental and/or social characteristics are promoted by this financial product?

- The environmental and social characteristics promoted by the Financial Product consist of investing in securities issued by issuers considering the ESG score further described below.



The Financial Product promotes environmental and/or social characteristics by investing in securities that have implemented good practices in terms of managing their environmental, governance and social ("ESG") practices.

The Financial Product also promotes other specific environmental and social characteristics, mainly:

- Preservation of climate with exclusion policies on coal and unconventional oil & gas activities
- Protection of ecosystem and prevention of deforestation
- Better health with exclusion on tobacco
- Labour rights, society and human rights, business ethics, anti-corruption with exclusion on companies in violation of international norms and standards such as the United Nations Global Compact Principles, International Labour Organisation's (ILO) Conventions or the OECD Guidelines for Multinational Enterprises.
- Protection of human rights avoiding investing in debt instruments issued by countries where the worst forms of human right violations are observed.

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by this Financial Product. A broad market index, 75% J. P. Morgan Corporate Emerging Market Bond Index Broad Diversified + 25% J. P. Morgan Emerging Market Bond Index Global Diversified (the "Benchmark"), has been designated by the Financial Product.

● ***What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?***

The attainment of the environmental and social characteristics promoted by the Financial Product and described above is measured with the following sustainability indicator:

- The weighted average ESG score of the Financial Product and of its Benchmark which is based on ESG scoring from external data provider as primary inputs assessing data points across Environment, Social and Governance (ESG) dimensions. AXA IM analysts can complement with a fundamental and documented ESG analysis in case of lack of coverage or disagreement on the ESG rating provided that it is approved by AXA IM dedicated internal governance body.

● ***What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?***

The Financial Product intends to partially invest in instruments qualifying as sustainable investments with various social and environmental objectives (without any limitation) by assessing the positive contribution of investee companies through at least one of the following dimensions:

**1. UN Sustainable Development Goals alignment (SDG)** of investee companies as reference framework, considering investee companies which contribute positively to at least one SDG either through the products and services they offer or the way they carry out their activities ("Operations"). To be considered as a sustainable asset, an investee company must satisfy the following criteria:

a. the SDG scoring related to the "products and services" offered by the investee company is equal or above 2, corresponding to at least 20% of its revenues being derived from a sustainable activity, or

b. using a Best-in-Universe approach consisting of giving priority to the investee companies best rated from a non-financial viewpoint irrespective of their sector of activity, the SDG scoring of the investee company's Operations is on the better top 2.5%, except in consideration to the SDG 5 (Gender equality), SDG 8 (Decent work and economic growth), SDG 10 (Reduced inequalities), SDG 12 (Responsible consumption and production) and SDG 16 (Peace, justice and strong institutions), for which the SDG scoring of the investee company's Operations is on the better top 5%. For SDG 5, 8, 10

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

and 16 the selectivity criteria on investee company's "Operations" is less restrictive as such SDGs are better addressed considering the way the issuer carries out its activities than the products and services offered by the investee company. It is also less restrictive for SDG 12 which can be addressed through the products and services or the way the investee company carries out its activities.

The quantitative SDG results are sourced from external data providers and can be overridden by a duly supported qualitative analysis performed by the Investment Manager.

The assessment is done at entity level and an investee company that satisfies the contribution to UN SDG criteria outlined above is considered as sustainable.

**2. Integration of investee companies engaged in a solid Transition Pathway** consistently with the European Commission's ambition to help fund the transition to a 1.5°C world - based on the framework developed by the Science Based Targets Initiative, considering investee companies which have validated Science-Based targets.

### **3. Investments in Green, Social or Sustainability Bonds (GSSB), Sustainability Linked Bonds:**

a. GSSB are instruments which aim to contribute to various sustainable objectives by nature. As such, investments in bonds issued by corporates and sovereigns that have been identified as green bonds, social bonds or sustainability bonds in Bloomberg database are considered as "sustainable investments" under AXA IM's SFDR framework.

b. With regards to Sustainability Linked Bonds, an internal framework was developed to assess the robustness of those bonds that are used to finance general sustainable purpose. As these instruments are newer leading to heterogeneous practices from issuers, only Sustainability Linked Bonds that get a positive or neutral opinion from AXA IM's internal analysis process are considered as "sustainable investments". This analysis framework draws on the International Capital Market Association (ICMA) guidelines with a stringent proprietary approach based on the following defined criteria: (i) issuer's sustainability strategy and key performance indicators relevance and materiality, (ii) Sustainability performance target's ambition, (iii) bond characteristics and (iv) sustainability performance target's monitoring & reporting.

Investments in Green, Social or Sustainability Bonds (GSSB), Sustainability Linked Bonds comply with AXA IM GSS Bond Framework. We have designed our framework to be compliant with Green Bonds Principles and Social Bond Principles, adding more stringent criteria on some aspects.

Those methodologies may evolve in the future to take into account any improvements for example in data availability and reliability, or any developments of, but not limited to, regulations or other external frameworks or initiatives.

The Financial Product is not taking into consideration the criteria of the EU Taxonomy environmental objectives.

### ***How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?***

The application of the Do No Significant Harm ("DNSH") Principle for the sustainable investments the Financial Product partially intends to make means that an investee company cannot qualify as sustainable if it meets any of the criteria listed below:

- The investee company causes harm along any of the SDGs when one of its SDG scores is below -5 based on a quantitative database from an external provider on a scale ranging from +10 corresponding to 'significantly contributing' to -10 corresponding to 'significantly obstructing', unless the quantitative score has been qualitatively overridden. This criterion is applied on the investee companies that are considered as sustainable.

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

- The investee company is in AXA IM's sectorial and ESG standards ban lists (as described below), which consider among other factors the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights. This criterion is applied on the entire portfolio.
- The investee company has a CCC (or 1.43) or lower ESG scoring according to AXA IM ESG scoring methodology. The ESG score is based on ESG scoring from external data provider as primary inputs assessing data points across Environment, Social and Governance (ESG) dimensions. AXA IM analysts can complement with a fundamental and documented ESG analysis in case of lack of coverage or disagreement on the ESG scoring provided that it is approved by AXA IM dedicated internal governance body. This criterion is applied on the entire portfolio.

Indicators for principal adverse impacts on sustainability factors are considered, including through the application of AXA IM's exclusion and stewardship policies.

- *How have the indicators for adverse impacts on sustainability factors been taken into account?*

The Financial Product takes into consideration Principal Adverse Impacts ("PAI") indicators to ensure that the sustainable investments are not harming significantly any other sustainability objectives under SFDR.

Principal adverse impacts are mitigated through AXA IM's Sectorial policies and ESG Standards (as described below) that are applied bindingly at all times by the Financial Product, as well as through the filters based on UN Sustainable Development Goals scoring. No specific threshold or comparison with reference value have been defined within the DNSH approach.

Where relevant, stewardship policies are an additional risk mitigation on principal adverse impacts through direct dialogue with investee companies on sustainability and governance issues. Through the engagement activities, the Financial Product will use its influence as an investor to encourage investee companies to mitigate environmental and social risks relevant to their sectors.

Voting at general meetings is also an important element of the dialogue with investee companies in order to foster sustainably long-term value of the investee companies in which the Financial Product invests and mitigate adverse impacts.

**Exclusion Policies:**

- **Environmental:**

Relevant AXA IM policies	PAI indicator
Climate Risk policy Ecosystem Protection & Deforestation policy	PAI 1: Green House Gas (GHG) emissions (scope 1, 2, & 3 starting 01/2023)
	PAI 2: Carbon Footprint
	PAI 3: GHG intensity of investee companies
Climate Risk policy	PAI 4: Exposure to Companies active in the fossil fuel sector
Climate Risk policy (engagement only)	PAI 5: Share of non-renewable energy consumption and production

Climate risk policy (considering an expected correlation between GHG emissions and energy consumption) <sup>1</sup>	PAI 6: Energy consumption intensity per high impact climate sector
Ecosystem Protection & Deforestation policy	PAI 7: Activities negatively affecting biodiversity sensitive areas

- **Social and Governance:**

Relevant AXA IM policies	PAI indicator
ESG standards policy: violation of international norms and standards	PAI 10: Violations of United Nations Global Compact Principles & OECD Guidelines for Multinational Enterprises
ESG standards policy: violation of international norms and standards (considering an expected correlation between companies non-compliant with international norms and standards and the lack of implementation by companies of processes and compliance mechanisms to monitor compliance with those standards) <sup>2</sup>	PAI 11: Lack of processes and compliance mechanisms to monitor compliance with United Nations Global Compact Principles & OECD Guidelines for Multinational Enterprises
Voting and Engagement policy with systematic voting criteria linked with board gender diversity	PAI 13: Board Gender diversity
Controversial weapons policy	PAI 14: Exposure to controversial weapons

**Filter based on UN SDGs:**

The Investment Manager also relies on the SDG pillar of its sustainable investment framework to monitor and take into account adverse impacts on those sustainability factors by excluding investee companies which have a SDG score under – 5 on any SDG (on a scale from + 10 corresponding to “significant contributing impact” to – 10 corresponding to “significant obstructing impact”), unless the quantitative score has been qualitatively overridden following a duly documented analysis by AXA IM Core ESG & Impact Research. This approach enables AXA IM to ensure investee companies with the worst adverse impacts on any SDG are not considered as sustainable investments.

Data availability and quality is lower for the time being on certain sustainability factors related to biodiversity as an example, which may impact the coverage for the following PAI indicators: emissions to water (PAI 8), hazardous and radioactive waste ratio (PAI 9), and unadjusted gender pay gap (PAI 12). Those sustainability factors are part of the 17 objectives targeted by the United Nations SDGs (more specifically they are covered through SDG 5 “Gender equality”, SDG 6 “Clean water and sanitation”, SDG 8 “Decent work and economic growth”, SDG 10 “Reduced inequalities”, SDG 12 “Responsible consumption and production” and SDG 14 “Life below water”) and AXA IM’s framework there enables to mitigate the worst impacts pending the increase on data availability and quality.

- *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:*

The Financial Product does not invest in companies which cause, contribute or are linked to violations of international norms and standards in a material manner. Those standards focus on Human Rights, Society, Labour and Environment and as such, provide a methodology to help assess the good

<sup>1</sup> The approach used to mitigate the PAI indicators through this exclusion policy will evolve as the improvement in data availability and quality enables AXA IM to use the PAI more effectively. Not all high impact climate sectors are targeted by the exclusion policy for the time being.

<sup>2</sup> The approach used to mitigate the PAI indicators through this exclusion policy will evolve as the improvement in data availability and quality enables AXA IM to use the PAI more effectively.



governance practices of an issuer, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance. AXA IM relies on an external provider's screening framework and excludes any investee companies that have been assessed as "non-compliant" to United Nations Global Compact Principles, International Labour Organisation's (ILO) Conventions, OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights (UNGPs).

The EU Taxonomy sets out a "do no significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.

The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

Any other sustainable investments must also not significantly harm any environmental or social objectives.



## Does this financial product consider principal adverse impacts on sustainability factors?

☒ Yes

☐ No

Principal adverse impacts are considered with both (i) qualitative and (ii) quantitative approaches:

(i) Qualitative approach to consider principal adverse impacts is based on exclusion and, where relevant, stewardship policies. Exclusions applied as part of the application of AXA IM's Sectorial policies and ESG Standards cover the most material sustainability factors' risks and are applied bindingly on a continuous basis.

Where relevant, stewardship policies are an additional risk mitigation on principal adverse impacts through direct dialogue with investee companies on sustainability and governance issues. Through its engagement activities, the Financial Product will use its influence as an investor to encourage investee companies to mitigate environmental and social risks relevant to their sectors.

Voting at general meetings is an important element of the dialogue with investee companies in order to foster sustainably long-term value of the investee companies in which the Financial Product invests and mitigates adverse impacts.

Through those exclusion and stewardship policies, the Financial Product takes into consideration potential negative impact on those specific PAI indicators:

For Corporates:

	Relevant AXA IM policies	PAI indicator
Climate and other environment related indicators	Climate Risk policy	PAI 1: Green House Gas (GHG) emissions (scope 1, 2 & 3 starting 01/2023)
	Ecosystem Protection & Deforestation policy	
	Climate Risk policy	PAI 2: Carbon Footprint
	Ecosystem Protection & Deforestation policy	

	Climate Risk policy	PAI 3: GHG intensity of investee companies
	Ecosystem Protection & Deforestation policy	
	Climate Risk policy	PAI 4: Exposure to companies active in the fossil fuel sector
	Climate Risk policy (engagement only)	PAI 5: Share of non-renewable energy consumption and production
	Climate Risk Policy (considering an expected correlation between GHG emissions and energy consumption) <sup>3</sup>	PAI 6: Energy consumption intensity per high impact climate sector
	Ecosystem Protection & Deforestation policy	PAI 7: activities negatively affecting biodiversity sensitive area
<b>Social and employee respect for human rights, anti-corruption and anti-bribery matters</b>	ESG standard policy / violation of international norms and standards	PAI 10: Violation of United Nations Global Compact Principles & OECD Guidelines for Multinational Enterprises
	ESG standards policy: violation of international norms and standards (considering an expected correlation between companies non-compliant with international norms and standards and the lack of implementation by companies of processes and compliance mechanisms to monitor compliance with those standards) <sup>4</sup>	PAI 11: Lack of processes and compliance mechanisms to monitor compliance with United Nations Global Compact Principles & OECD Guidelines for Multinational Enterprises
	Voting and Engagement policy with systematic voting criteria linked with board gender diversity	PAI 13: Board Gender diversity
	Controversial weapons policy	PAI 14: Exposure to controversial weapons

For Sovereigns and Supranationals:

	<b>Relevant AXA IM policies</b>	<b>PAI indicator</b>
<b>Social</b>	AXA IM ESG standards with the exclusion of investee countries with severe social violations	PAI 16: Sovereign investee countries subject to social violations
	AXA IM Compliance black-list based on international and EU sanctions	

(ii) Principal adverse impacts are also considered quantitatively through the PAI indicators' measurement and reported annually in the SFDR annex in the periodic reporting. The objective is to

<sup>3</sup> The approach used to mitigate the PAI indicators through this exclusion policy will evolve as the improvement in data availability and quality enables AXA IM to use the PAI more effectively. Not all high impact climate sectors are targeted by the exclusion policy for the time being.

<sup>4</sup> The approach used to mitigate the PAI indicators through this exclusion policy will evolve as the improvement in data availability and quality enables AXA IM to use the PAI more effectively.

provide transparency to investors on significant negative impact on other sustainability factors. AXA IM measures all the mandatory PAI indicators, plus additional optional environmental indicator and additional optional social indicator.



**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

## **What investment strategy does this financial product follow?**

The Investment Manager selects investments by applying an extra-financial approach based on the exclusion filters as described in AXA IM's Sectorial Exclusion and ESG Standards Policies. Those sectorial exclusions cover areas such as Controversial Weapons, Climate risks, Soft Commodities, Ecosystem Protection & Deforestation and Tobacco. The ESG Standards encompass specific exclusions on white phosphorus weapons and exclude investments in securities issued by companies in violation of international norms and standards such as the United Nations Global Compact Principles or the OECD Guidelines for Multinational Enterprises; as well as investments in securities issued by companies which are involved in severe ESG-related incidents and investments in securities issued by companies with a Low ESG quality (which has, as of the date of this document, ESG scoring below 1.43 (on a scale of 0 to 10) – such number being subject to adaptation). Instruments issued by countries where serious specific categories of violations of Human Rights are observed are also banned. More details on those policies are available under the following link: [Policies and reports | AXA IM Corporate \(axa-im.com\)](https://www.axa-im.com/en/policies-and-reports).

The ESG criteria contribute to, but are not a determining factor in, the Investment Manager's decision making.

In addition, the Financial Product always outperforms the Benchmark, in terms of ESG scores calculated on a weighted average basis. ESG score is based on ESG scoring from external data provider as primary inputs assessing data points across Environment, Social and Governance (ESG) dimensions that include the environmental and social characteristics described above and promoted by the Financial Product. AXA IM ESG analysts can complement with a fundamental and documented ESG analysis in case of lack of coverage or disagreement on the ESG scores provided that it is approved by AXA IM dedicated internal governance body.

## ***What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?***

The Financial Product bindingly applies at all times the following elements described below.

1. The Investment Manager bindingly applies at all times AXA IM's Sectorial Exclusion and ESG Standards Policies as a first exclusion filter.

The Sectorial Exclusion Policies exclude companies linked to Controversial Weapons, Climate risks, Soft Commodities (based on food and basic agricultural or the marine commodities), unsustainable practices relating to Ecosystem Protection and Deforestation and Tobacco.

The ESG Standards Policy (the “ESG Standards”) encompasses exclusions such as white phosphorus weapons and excludes investments in securities issued by companies in violation of international norms and standards such as the United Nations Global Compact Principles or the OECD Guidelines for Multinational Enterprises; as well as investments in securities issued by companies which are involved in severe ESG-related incidents and investments in securities issued by companies with a Low ESG quality (which has, as of the date of this document, ESG scoring below 1.43 (on a scale of 0 to 10) – such number being subject to adaptation). Instruments issued by countries where serious specific

categories of violations of Human Rights are observed are also banned. More details on those policies are available under the following link: [Policies and reports | AXA IM Corporate \(axa-im.com\)](https://www.axa-im.com/en/policies-and-reports).

2. In addition, the Financial Product always outperforms the Benchmark, in terms of ESG scores calculated on a weighted average basis. ESG score is based on ESG scoring from external data provider as primary inputs assessing data points across Environment, Social and Governance (ESG) dimensions that include the environmental and social characteristics described above and promoted by the Financial Product. AXA IM ESG analysts can complement with a fundamental and documented ESG analysis in case of lack of coverage or disagreement on the ESG scoring provided that it is approved by AXA IM dedicated internal governance body.

AXA IM has implemented scoring methodologies to rate issuers (corporates, sovereigns, green, social and sustainability bonds) on ESG criteria. These methodologies allow to rate corporates and sovereign issuers and are based on quantitative data from several data providers as well as on qualitative analysis from internal and external research. The data used in these methodologies include carbon emissions, water stress, health and safety at work, supply chain labour standards, business ethics, corruption and instability.

The corporate and sovereign scoring methodologies rely on three pillars and several sub-factors that cover the most material risk factors encountered by issuers in the E, S and G fields. The frame of reference draws on fundamental principles, such as United Nations Global Compact Principles, the OECD Guidelines for Multinational Enterprises, the International Labour Organisation's (ILO) Conventions, and other international principles and conventions that guide companies and governments activities in the field of sustainable development and social responsibility. The analysis is based on the most material ESG risks and opportunities previously identified for each sector and company, with 10 factors: Climate Change, Natural Capital, Pollution and Waste, Environmental Opportunities, Human Capital, Product Liability, Stakeholder Opposition, Social Opportunities, Corporate Governance and Corporate Behaviour. The final ESG score also incorporates the concept of industry dependent factors and deliberately differentiates between sectors, to overweight the most material factors for each industry. Materiality is not limited to impacts relating to an investee company's operations, it also includes the impacts on external stakeholders as well as the underlying reputational risk arising from a poor grasp of major ESG issues. In the corporate methodology, the severity of controversies is assessed and monitored on an ongoing basis to make sure that the most material risks are reflected in the final ESG score. The controversies with high severity will trigger large penalties on the sub-factor scores and ultimately on the ESG scores.

These ESG scores provide a standardized and holistic view on the performance of investee companies on ESG factors and enable to both promote Environmental and/or Social characteristics of the Financial Product.

3. The ESG analysis minimum coverage rate of the Financial Product is at 80% of the net assets of the Financial Product.

The ESG data (of which ESG score or SDG score wherever relevant) used in the investment process are based on ESG methodologies which rely in part on third party data, and in some cases are internally developed. They are subjective and may change over time. Despite several initiatives, the lack of harmonised definitions can make ESG criteria heterogeneous. As such, the different investment strategies that use ESG criteria and ESG reporting are difficult to compare with each other. Strategies that incorporate ESG criteria and those that incorporate sustainable development criteria may use ESG data that appear similar but which should be distinguished because their calculation method may be different. AXA IM's ESG different methodologies described herein may evolve in the future to take into account any improvements in data availability and reliability, or any developments of regulations or other external frameworks or initiatives - among others.

- ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

There is no committed minimum rate to reduce the scope of the investments considered.

- ***What is the policy to assess good governance practices of the investee companies?***

**Good governance**  
practices include sound management structures, employee relations, remuneration of staff and tax compliance.

The Financial Product does not invest in companies which cause, contribute or are linked to violations of international norms and standards in a material manner. Those standards focus on Human Rights, Society, Labour and Environment, and as such, provide a methodology to help assess the good governance practices of an investee company, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance. AXA IM relies on an external provider's screening framework and excludes any investee companies that have been assessed as "non-compliant" to United Nations Global Compact Principles, International Labour Organisation's (ILO) Conventions, OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights (UNGPs).

In addition, ensuring good governance practices is also addressed by the engagement policies. AXA IM implemented a comprehensive active ownership strategy – engagement and voting – where AXA IM acts as stewards of investments made on the clients' behalf. AXA IM views engagement as a means for investors to influence, shape and shift investee companies' policies and practices to mitigate risks and secure long-term value. Governance practices of investee companies are engaged at first level by the portfolio managers and dedicated ESG analysts when meeting investee companies' management team. It is through the long-term investor status and in-depth knowledge of the investment targets that AXA IM feels legitimate to engage in a constructive but demanding dialogue with them.



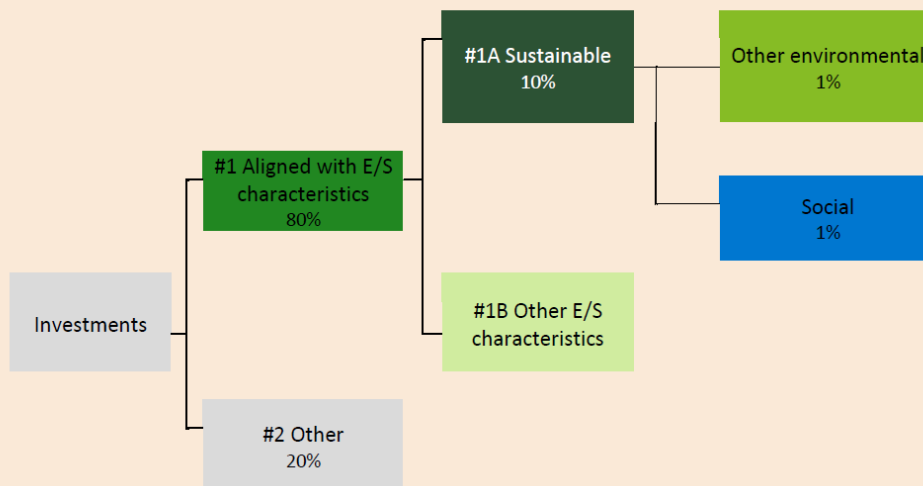


## What is the asset allocation planned for this financial product?

**Asset allocation** describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments

The Financial Product aims to plan its asset allocation as presented in the graph above. This planned asset allocation might deviate on a temporary basis.

The planned minimum proportion of the investments of the Financial Product used to meet the environmental or social characteristics promoted by the Financial Product is 80% of the Financial Product's Net Asset Value.

The planned minimum proportion of sustainable investments of the Financial Product where that Financial Product commits to making sustainable investments is 10% of the Financial Product's Net Asset Value.

The remaining "Other" investments will represent a maximum of 20% of the Financial Product's Net Asset Value. Remaining "Other" investments are used for hedging, liquidity and portfolio management of the Financial Product. Minimum environmental or social safeguards based on AXA IM exclusion policies are assessed and applied on all "Other" assets except on (i) non-single name derivatives, (ii) on UCITS and/or UCIs managed by other management company and (iii) on cash and cash equivalent investments described above.

● **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

Single names derivatives used for investment purpose apply exclusion policies and thus contribute to attain the environmental or social characteristics promoted by the Financial Product.



**To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?**

The Financial Product does not take into consideration the criteria of the EU Taxonomy environmental objectives. The Financial Product is not considering the "do no significant harm" criteria of the EU Taxonomy.

● **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>5</sup>?**

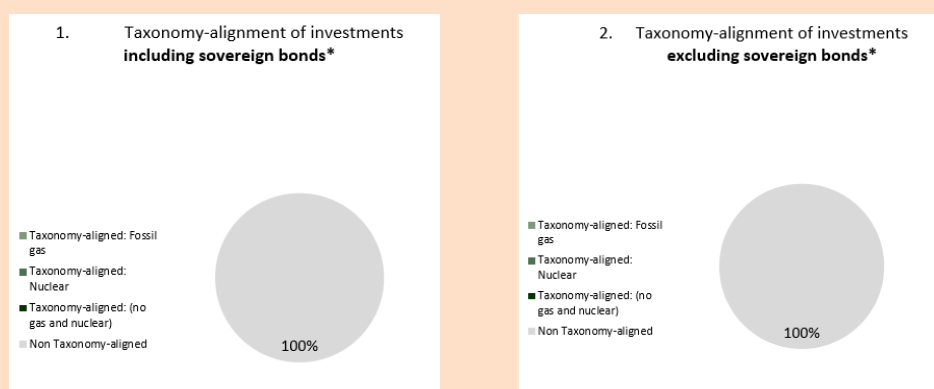
- ☐ Yes
- ☐ In fossil gas ☐ In nuclear energy
- ☒ No

To comply with the EU taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy-alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy-alignment only in relation to the investments of the financial product other than sovereign bonds.



This graph represents 100% of the total investments.\*\*

\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

\*\* The proportion of total investments shown in this graph is purely indicative and may vary.

<sup>5</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objectives -see explanatory note in the left-hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

● **What is the minimum share of investments in transitional and enabling activities?**

Not applicable



are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.



**What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?**

The minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy is 1% of the Financial Product's Net Asset Value.

The proportion of investments between environmental sustainable assets not aligned with EU Taxonomy and social sustainable assets is freely allocated and adds up to at least the total sustainable investments.



**What is the minimum share of socially sustainable investments?**

The minimum share of sustainable investments with social objectives is 1% of the Financial Product's Net Asset Value.

The proportion of investments between environmental sustainable assets not aligned with EU Taxonomy and social sustainable assets is freely allocated and adds up to at least the total sustainable investments.



**What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?**

The remaining “Other” investments will represent a maximum of 20% of the Financial Product's Net Asset Value. The “other” assets may consist in:

- cash and cash equivalent investments, and
- other instruments eligible to the Financial Product and that do not meet the Environmental and/or Social criteria described in this document. Such assets may be transferable securities, derivatives investments and investment collective schemes that do not promote environmental or social characteristics and that are used to attain the financial objective of the Financial Product and/or for diversification and/or hedging purposes.

Environmental or social safeguards are applied and assessed on all “other” assets except on (i) non-single name derivatives, (ii) on UCITS and/or UCIs managed by other management company and (iii) on cash and cash equivalent investments described above.



**Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?**

Not applicable as the designated Benchmark is a broad market index which is not aligned with the environmental and/or social characteristics promoted by the Financial Product.



## **Where can I find more product specific information online?**

More information can be found on the AXA IM fund centre following that link: [Funds - AXA IM Global \(axa-im.com\)](https://www.axa-im.com/funds)

More details on AXA IM sustainable investment frameworks are available on [Sustainable Finance | SFDR | AXA IM Corporate \(axa-im.com\)](https://www.axa-im.com/sustainable-finance).

**Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852**

**Product name:** AXA World Funds - Digital Economy (the "Financial Product")

**Legal entity identifier:** 213800YT909E4S3MZV07

## Environmental and / or social characteristics

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Does this financial product have a sustainable investment objective?	
<input checked="" type="radio"/> <input checked="" type="radio"/> <input type="checkbox"/> YES	<input checked="" type="radio"/> <input type="radio"/> <input checked="" type="checkbox"/> NO
<input type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective</b> : _%	<input checked="" type="checkbox"/> It <b>promotes Environmental/Social (E/S) characteristics</b> and while it does not have as its objective a sustainable investment, it will have a minimum proportion of 10% of sustainable investments
<input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy	<input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
<input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy	<input checked="" type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
<input type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective</b> : _%	<input checked="" type="checkbox"/> with a social objective
	<input type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b>



### What environmental and/or social characteristics are promoted by this financial product?

The environmental and social characteristics promoted by the Financial Product consist of investing in securities issued by issuers considering their Carbon Intensity.

The Financial Product also promotes other specific environmental and social characteristics, mainly:

- Preservation of climate with exclusion policies on coal unconventional and oil & gas activities
- Protection of ecosystem and prevention of deforestation
- Better health with exclusion on tobacco



- Labour rights, society and human rights, business ethics, anti-corruption with exclusion on companies in violation of international norms and standards such as the United Nations Global Compact Principles, International Labour Organisation's (ILO) Conventions or the OECD Guidelines for Multinational Enterprises
- Protection of human rights avoiding investing in debt instruments issued by countries where the worst forms of human right violations are observed

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by this Financial Product. A broad market index, MSCI AC World Total Return Net (the "Benchmark"), has been designated by the Financial Product.

The initial investment universe of the Financial Product will be defined as composed of large, medium and small size companies in developed and emerging countries (the "Investment Universe").

● ***What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?***

The attainment of the environmental and social characteristics promoted by the Financial Product and described above is measured with the following sustainability indicator:

- The weighted average Carbon Intensity of the Financial Product and of its Benchmark, defined as the amount of GHG emissions (covering at least scope 1 and 2) per tons per millions \$ revenue released into the atmosphere, expressed in CO<sub>2</sub>e tons per millions \$ revenue.

● ***What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?***

The Financial Product intends to partially invest in instruments qualifying as sustainable investments with various social and environmental objectives (without any limitation) by assessing the positive contribution of investee companies through at least one of the following dimensions:

**1. UN Sustainable Development Goals alignment (SDG)** of investee companies as reference framework, considering investee companies which contribute positively to at least one SDG either through the products and services they offer or the way they carry out their activities ("Operations"). To be considered as a sustainable asset, an investee company must satisfy the following criteria:

a. the SDG scoring related to the "products and services" offered by the investee company is equal or above 2, corresponding to at least 20% of its revenues being derived from a sustainable activity, or

b. using a Best-in-Universe approach consisting of giving priority to the investee companies best rated from a non-financial viewpoint irrespective of their sector of activity, the SDG scoring of the investment company's Operations is on the better top 2.5%, except in consideration to the SDG 5 (Gender equality), SDG 8 (Decent work and economic growth), SDG 10 (Reduced inequalities), SDG 12 (Responsible consumption and production) and SDG 16 (Peace, justice and strong institutions), for which the SDG scoring of the investee company's Operations is on the better top 5%. For SDG 5, 8, 10 and 16 the selectivity criteria on issuer's Operations is less restrictive as such SDGs are better addressed considering the way the investee company carries out its activities than the products and services offered by the investee company. It is also less restrictive for SDG 12 which can be addressed through the products and services or the way the investee company carries out its activities.

The quantitative SDG results are sourced from external data providers and can be overridden by a duly supported qualitative analysis performed by the Investment Manager.

The assessment is done at entity level and an investee company that satisfies the contribution to UN SDG criteria outlined above is considered as sustainable.

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

**2. Integration of investee companies engaged in a solid Transition Pathway** consistently with the European Commission's ambition to help fund the transition to a 1.5°C world - based on the framework developed by the Science Based Targets Initiative, considering investee companies which have validated Science-Based targets.

Those methodologies may evolve in the future to take into account any improvements for example in data availability and reliability, or any developments of, but not limited to, regulations or other external frameworks or initiatives.

The Financial Product is not taking into consideration the criteria of the EU Taxonomy environmental objectives.

***How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?***

The application of the Do No Significant Harm ("DNSH") Principle for the sustainable investments the Financial Product partially intends to make means that an investee company cannot qualify as sustainable if it meets any of the criteria listed below:

- The investee company causes harm along any of the SDGs when one of its SDG scores is below – 5 based on a quantitative database from an external provider on a scale ranging from +10 corresponding to 'significantly contributing' to -10 corresponding to 'significantly obstructing', unless the quantitative score has been qualitatively overridden. This criterion is applied on the investee companies that are considered as sustainable.
- The investee company is in AXA IM's sectorial and ESG standards ban lists (as described below), which consider among other factors the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights. This criterion is applied on the entire portfolio.
- The investee company has a CCC (or 1.43) or lower ESG scoring according to AXA IM ESG scoring methodology. The ESG score is based on ESG scoring from external data provider as primary inputs assessing data points across Environment, Social and Governance (ESG) dimensions. AXA IM analysts can complement with a fundamental and documented ESG analysis in case of lack of coverage or disagreement on the ESG scoring provided that it is approved by AXA IM dedicated internal governance body. This criterion is applied on the entire portfolio.

Indicators for principal adverse impacts on sustainability factors are considered, including through the application of AXA IM's exclusion and stewardship policies.

***How have the indicators for adverse impacts on sustainability factors been taken into account?***

The Financial Product takes into consideration Principal Adverse Impacts ("PAI") indicators to ensure that the sustainable investments are not harming significantly any other sustainability objectives under SFDR.

Principal adverse impacts are mitigated through sectorial exclusion policies and AXA IM ESG standards (as described below) that are applied bindingly at all times by the Financial Product, as well as through the filters based on UN Sustainable Development Goals scoring. No specific threshold or comparison with reference value have been defined within the DNSH approach.

Where relevant, stewardship policies are an additional risk mitigation on principal adverse impacts through direct dialogue with investee companies on sustainability and governance issues. Through the engagement activities, the Financial Product will use its influence as an investor to encourage investee companies to mitigate environmental and social risks relevant to their sectors.

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

Voting at general meetings is also an important element of the dialogue with investee companies in order to foster sustainably long-term value of the investee companies in which the Financial Product invests and mitigates adverse impacts.

#### Exclusion Policies:

##### - Environmental:

Relevant AXA IM policies	PAI indicator
Climate Risk policy Ecosystem Protection & Deforestation policy	PAI 1: Green House Gas (GHG) emissions (scope 1, 2, & 3 starting 01/2023)
	PAI 2: Carbon Footprint
	PAI 3: GHG intensity of investee companies
Climate Risk policy	PAI 4: Exposure to Companies active in the fossil fuel sector
Climate Risk policy (engagement only)	PAI 5: Share of non-renewable energy consumption and production
Climate Risk policy (considering an expected correlation between GHG emissions and energy consumption) <sup>1</sup>	PAI 6: Energy consumption intensity per high impact climate sector
Ecosystem Protection & Deforestation policy	PAI 7: Activities negatively affecting biodiversity sensitive areas

##### - Social and Governance:

Relevant AXA IM policies	PAI indicator
ESG standards policy: violation of international norms and standards	PAI 10: Violations of United Nations Global Compact Principles & OECD Guidelines for Multinational Enterprises
ESG standards policy: violation of international norms and standards (considering an expected correlation between companies non-compliant with international norms and standards and the lack of implementation by companies of processes and compliance mechanisms to monitor compliance with those standards) <sup>2</sup>	PAI 11: Lack of processes and compliance mechanisms to monitor compliance with United Nations Global Compact Principles & OECD Guidelines for Multinational Enterprises
Voting and Engagement policy with systematic voting criteria linked with board gender diversity	PAI 13: Board Gender diversity
Controversial weapons policy	PAI 14: Exposure to controversial weapons

#### Filter based on UN SDGs:

The Investment Manager also relies on the SDG pillar of its sustainable investment framework to monitor and take into account adverse impacts on those sustainability factors by excluding investee companies which have a SDG score under – 5 on any SDG (on a scale from + 10 corresponding to

<sup>1</sup> The approach used to mitigate the PAI indicators through this exclusion policy will evolve as the improvement in data availability and quality enables AXA IM to use the PAI more effectively. Not all high impact climate sectors are targeted by the exclusion policy for the time being.

<sup>2</sup> The approach used to mitigate the PAI indicators through this exclusion policy will evolve as the improvement in data availability and quality enables AXA IM to use the PAI more effectively.

‘significant contributing impact’ to – 10 corresponding to ‘significant obstructing impact’), unless the quantitative score has been qualitatively overridden following a duly documented analysis by AXA IM Core ESG & Impact Research. This approach enables AXA IM to ensure investee companies with the worst adverse impacts on any SDG are not considered as sustainable investments.

Data availability and quality is lower for the time being on certain sustainability factors related to biodiversity as an example, which may impact the coverage for the following PAI indicators: emissions to water (PAI 8), hazardous and radioactive waste ratio (PAI 9) and unadjusted gender pay gap (PAI 12). Those sustainability factors are part of the 17 objectives targeted by the United Nations SDGs (more specifically they are covered through SDG 5 “Gender equality”, SDG 6 “Clean water and sanitation”, SDG 8 “Decent and economic growth”, SDG 10 “Reduced inequalities”, SDG 12 “Responsible consumption and production” and SDG 14 “Life below water”) and AXA IM’s framework there enables to mitigate the worst impacts pending the increase on data availability and quality.

- *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:*

The Financial Product does not invest in companies which cause, contribute or are linked to violations of international norms and standards in a material manner. Those standards focus on Human Rights, Society, Labour and Environment and as such, provide a methodology to help assess the good governance practices of an issuer, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance. AXA IM relies on an external provider’s screening framework and excludes any investee companies that have been assessed as “non-compliant” to United Nations Global Compact Principles, International Labour Organisation’s (ILO) Conventions, OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights (UNGPs).

The EU Taxonomy sets out a “do no significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.

The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

Any other sustainable investments must also not significantly harm any environmental or social objectives.



### **Does this financial product consider principal adverse impacts on sustainability factors?**

☒ Yes

☐ No

Principal adverse impacts are considered with both (i) qualitative and (ii) quantitative approaches:

(i) Qualitative approach to consider principal adverse impacts is based on exclusion and, where relevant, stewardship policies. Exclusions applied as part of the application of AXA IM’s Sectorial policies and ESG standards cover the most material sustainability factors’ risks and are applied bindingly on a continuous basis.

Where relevant, stewardship policies are an additional risk mitigation on principal adverse impacts through direct dialogue with investee companies on sustainability and governance issues. Through its engagement activities, the Financial Product will use its influence as an investor to encourage investee companies to mitigate environmental and social risks relevant to their sectors.

Voting at general meetings is an important element of the dialogue with investee companies in order to foster sustainably long-term value of the investee companies in which the Financial Product invests and mitigates adverse impacts.

Through those exclusion and stewardship policies the Financial Product takes into consideration potential negative impact on those specific PAI indicators:

For Corporates:

	<b>Relevant AXA IM policies</b>	<b>PAI indicator</b>
<b>Climate and other environment related indicators</b>	Climate Risk policy	PAI 1: Green House Gas (GHG) emissions (scope 1, 2 & 3 starting 01/2023)
	Ecosystem Protection & Deforestation policy	
	Climate Risk policy	PAI 2: Carbon Footprint
	Ecosystem Protection & Deforestation policy	
	Climate Risk policy	PAI 3: GHG intensity of investee companies
	Ecosystem Protection & Deforestation policy	
	Climate Risk policy	PAI 4: Exposure to companies active in the fossil fuel sector
	Climate Risk policy (engagement only)	PAI 5: Share of non-renewable energy consumption and production
	Climate Risk policy (considering an expected correlation between GHG emissions and energy consumption) <sup>3</sup>	PAI 6: Energy consumption intensity per high impact climate sector
	Ecosystem Protection & Deforestation policy	PAI 7: activities negatively affecting biodiversity sensitive area
<b>Social and employee respect for human rights, anti-corruption and anti-bribery matters</b>	ESG standard policy / violation of international norms and standards	PAI 10: Violation of United Nations Global Compact Principles & OECD Guidelines for Multinational Enterprises
	ESG standards policy: violation of international norms and standards (considering an expected correlation between companies non-compliant with international norms and standards and the lack of implementation by companies of processes and compliance mechanisms to monitor compliance with those standards) <sup>4</sup>	PAI 11: Lack of processes and compliance mechanisms to monitor compliance with United Nations Global Compact Principles & OECD Guidelines for Multinational Enterprises

<sup>3</sup> The approach used to mitigate the PAI indicators through this exclusion policy will evolve as the improvement in data availability and quality enables AXA IM to use the PAI more effectively. Not all high impact climate sectors are targeted by the exclusion policy for the time being.

<sup>4</sup> The approach used to mitigate the PAI indicators through this exclusion policy will evolve as the improvement in data availability and quality enables AXA IM to use the PAI more effectively.



	Voting and Engagement policy with systematic voting criteria linked with board gender diversity	PAI 13: Board Gender diversity
	Controversial weapons policy	PAI 14: Exposure to controversial weapons

For Sovereigns and Supranationals:

	Relevant AXA IM policies	PAI indicator
<b>Social</b>	AXA IM ESG standards with the exclusion of investee countries with severe social violations	PAI 16: Sovereign Investee countries subject to social violations
	AXA IM Compliance black-list based on international and EU sanctions	

(ii) Principal adverse impacts are also considered quantitatively through the PAI indicators' measurement and reported annually in the SFDR annex in the periodic reporting. The objective is to provide transparency to investors on significant negative impact on other sustainability factors. AXA IM measures all the mandatory PAI indicators, plus additional optional environmental indicator and additional optional social indicator.

## What investment strategy does this financial product follow?

The Investment Manager selects investments by applying an extra-financial approach based on the exclusion filters as described in AXA IM's Sectorial Exclusion and ESG Standards Policies.

Those sectorial exclusions cover areas such as Controversial Weapons, Climate risks, Soft Commodities, Ecosystem Protection & Deforestation and Tobacco. The ESG Standards encompass specific exclusions on white phosphorus weapons and exclude investments in securities issued by companies in violation of international norms and standards such as the United Nations Global Compact Principles or the OECD Guidelines for Multinational Enterprises; as well as investments in securities issued by companies which are involved in severe ESG-related incidents and investments in securities issued by companies with a Low ESG quality (which has, as of the date of this document, ESG scoring of below 1.43 (on a scale of 0 to 10) – such number being subject to adaptation). Instruments issued by countries where serious specific categories of violations of Human Rights are observed are also banned. More details on those policies are available under the following link: [Policies and reports | AXA IM Corporate \(axa-im.com\)](#)

## ***What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?***

The Financial Product bindingly applies at all times the following elements described below.

1. The Investment Manager bindingly applies at all times its Sectorial Exclusion Policies and ESG Standards Policy as a first exclusion filter.

The Sectorial Exclusions Policies exclude companies linked to Controversial Weapons, Climate risks, Soft Commodities (based on food and basic agricultural or the marine commodities), unsustainable practices relating to Ecosystem Protection & Deforestation and Tobacco.



**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

The ESG Standards Policy (“ESG Standards”) encompasses exclusions on white phosphorus weapons and excludes investments in securities issued by companies in violation of international norms and standards such as the United Nations Global Compact Principles or the OECD Guidelines for Multinational Enterprises; as well as investments in securities issued by companies which are involved in severe ESG-related incidents and investments in securities issued by companies with a Low ESG quality (which has, as of the date of this document, ESG scoring below 1.43 (on a scale of 0 to 10) – such number being subject to adaptation). Instruments issued by countries where serious specific categories of violations of Human Rights are observed are also banned. More details on those policies are available under the following link: [Policies and reports | AXA IM Corporate \(axa-im.com\)](https://www.axa-im.com/en/policies-and-reports)

● ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

There is no committed minimum rate to reduce the scope of the investments considered.

● ***What is the policy to assess good governance practices of the investee companies?***

**Good governance**  
practices include sound management structures, employee relations, remuneration of staff and tax compliance.

The Financial Product does not invest in companies which cause, contribute or are linked to violations of international norms and standards in a material manner. Those standards focus on Human Rights, Society, Labour and Environment and as such, provide a methodology to help assess the good governance practices of an investee company, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance. AXA IM relies on an external provider’s screening framework and excludes any investee companies that have been assessed as “non-compliant” to United Nations Global Compact Principles, International Labour Organisation’s (ILO) Conventions, OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights (UNGPs).

In addition, ensuring good governance practices is also addressed by the engagement policies. AXA IM implemented a comprehensive active ownership strategy – engagement and voting – where AXA IM acts as stewards of investments made on the clients' behalf. AXA IM views engagement as a means for investors to influence, shape and shift investee companies’ policies and practices to mitigate risks and secure long-term value. Governance practices of investee companies are engaged at first level by the portfolio managers and dedicated ESG analysts when meeting investee companies’ management team. It is through the long-term investor status and in-depth knowledge of the investment targets that AXA IM feels legitimate to engage in a constructive but demanding dialogue with them.

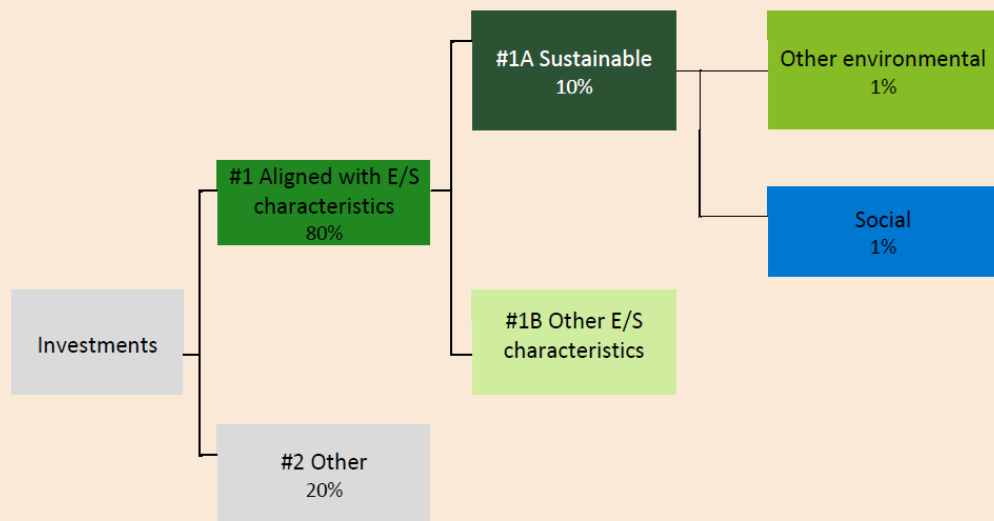


## What is the asset allocation planned for this financial product?

**Asset allocation** describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments

The Financial Product aims to plan its asset allocation as presented in the graph above. This planned asset allocation might deviate on a temporary basis.

The planned minimum proportion of the investments of the Financial Product used to meet the environmental or social characteristics promoted by the Financial Product is 80% of the Financial Product's Net Asset Value.

The planned minimum proportion of sustainable investments of the Financial Product where that Financial Product commits to making sustainable investments is 10% of the Financial Product's Net Asset Value.

The remaining "Other" investments will represent a maximum of 20% of the Financial Product's Net Asset Value. Remaining "Other" investments are used for hedging, liquidity and portfolio management of the Financial Product. Minimum environmental or social safeguards based on AXA IM exclusion policies are assessed and applied on all "Other" assets except on (i) non-single name derivatives, (ii) on UCITS and/or UCIs managed by other management company and (iii) on cash and cash equivalent investments described above.

### ● **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

Not applicable



## To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

The Financial Product does not take into consideration the criteria of the EU Taxonomy environmental objectives. The Financial Product is not considering the 'do no significant harm' criteria of the EU Taxonomy.

- Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy <sup>5</sup>?

☐ Yes

☐ In fossil gas

☐ In nuclear energy

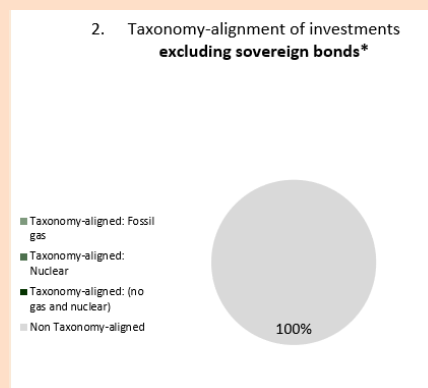
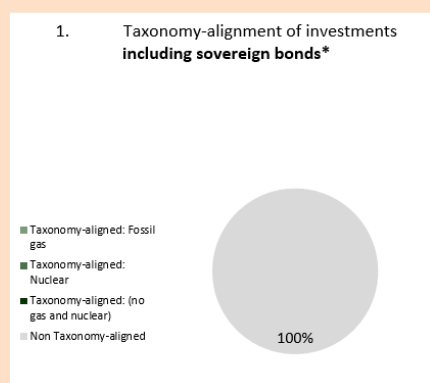
☒ No

To comply with the EU taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy-alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy-alignment only in relation to the investments of the financial product other than sovereign bonds.



This graph represents 100% of the total investments.

\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures

- What is the minimum share of investments in transitional and enabling activities?

Not applicable



## What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

The minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy is 1% of the Financial Product's Net Asset Value.

<sup>5</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objectives -see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

The proportion of investments between environmental sustainable assets not aligned with EU Taxonomy and social sustainable assets is freely allocated and adds up to at least the total sustainable investments.



### **What is the minimum share of socially sustainable investments?**

The minimum share of sustainable investments with social objectives is 1% of the Financial Product's Net Asset Value.

The proportion of investments between environmental sustainable assets not aligned with EU Taxonomy and social sustainable assets is freely allocated and adds up to at least the total sustainable investments.



### **What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?**

The remaining “Other” investments will represent a maximum of 20% of the Financial Product's Net Asset Value. The “other” assets may consist in:

- cash and cash equivalent investments, and
- other instruments eligible to the Financial Product and that do not meet the Environmental and/or Social criteria described in this document. Such assets may be transferable securities, derivatives investments and investment collective schemes that do not promote environmental or social characteristics and that are used to attain the financial objective of the Financial Product and/or for diversification and/or hedging purposes.

Environmental or social safeguards are applied and assessed on all “other” assets except on (i) non-single name derivatives, (ii) on UCITS and/or UCIs managed by other management company and (iii) on cash and cash equivalent investments described above.



### **Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?**

Not applicable as the designated Benchmark is a broad market index which is not aligned with the environmental and/or social characteristics promoted by the Financial Product.



### **Where can I find more product specific information online?**

More information can be found on the AXA IM fund centre following that link: [Funds - AXA IM Global \(axa-im.com\)](https://axa-im.com).

More details on AXA IM sustainable investment frameworks are available on [Sustainable Finance | SFDR | AXA IM Corporate \(axa-im.com\)](https://axa-im.com).



**Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852**

**Product name:** AXA World Funds - Emerging Markets Responsible Equity QI (the "Financial Product")

**Legal entity identifier:** 213800UAPEX4GSMEI340

## Environmental and / or social characteristics

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Does this financial product have a sustainable investment objective?	
<input checked="" type="radio"/> <input checked="" type="radio"/> <input type="checkbox"/> YES	<input checked="" type="radio"/> <input type="radio"/> <input checked="" type="checkbox"/> NO
<input type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective</b> : _%	<input checked="" type="checkbox"/> It <b>promotes Environmental/Social (E/S) characteristics</b> and while it does not have as its objective a sustainable investment, it will have a minimum proportion of 10% of sustainable investments
<input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy	<input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
<input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy	<input checked="" type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
<input type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective</b> : _%	<input checked="" type="checkbox"/> with a social objective
	<input type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b>



### What environmental and/or social characteristics are promoted by this financial product?

The environmental and social characteristics promoted by the Financial Product consist of investing in securities of:

- issuers considering their Carbon Intensity,
- issuers considering their Water Intensity.

The Financial Product also promotes other specific environmental and social characteristics, mainly:

- Preservation of climate with exclusion policies on coal and unconventional oil & gas activities

- Protection of ecosystem and prevention of deforestation
- Better health with exclusion on tobacco
- Labour rights, society and human rights, business ethics, anti-corruption with exclusion on companies in violation of international norms and standards such as the United Nations Global Compact Principles, International Labour Organisation's (ILO) Conventions or the OECD Guidelines for Multinational Enterprises
- Protection of human rights avoiding investing in debt instruments issued by countries where the worst forms of human right violations are observed

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by this Financial Product. A broad market index, MSCI Emerging Markets Total Return Net Index (the "Benchmark"), has been designated by the Financial Product.

● ***What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?***

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

The attainment of the environmental and social characteristics promoted by the Financial Product and described above is measured with the following sustainability indicators:

- The weighted average Carbon Intensity of the Financial Product and that of its Benchmark, defined as the amount of GHG emissions (covering at least scope 1 and 2) per tons per millions \$ revenue released into the atmosphere, expressed in CO<sub>2</sub>e tons per millions \$ revenue.
- The weighted average Water Intensity of the Financial Product and that of the Benchmark, represents the amount of water diverted for use by the organisation from all sources, including but not limited to surface, ground, saltwater, and municipal. It includes cooling water. It is expressed in cubic meters and is provided by an external data provider.

The Financial Product outperforms its Benchmark on these sustainability indicators in order to promote the environmental and/or social characteristics described above.

● ***What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?***

The Financial Product intends to partially invest in instruments qualifying as sustainable investments with various social and environmental objectives (without any limitation) by assessing the positive contribution of investee companies through at least one of the following dimensions:

**1. UN Sustainable Development Goals alignment (SDG)** of investee companies as reference framework, considering investee companies which contribute positively to at least one SDG either through the products and services they offer or the way they carry out their activities ("Operations"). To be considered as a sustainable asset, an investee company must satisfy the following criteria:

a. the SDG scoring related to the "products and services" offered by the investee company is equal or above 2, corresponding to at least 20% of its revenues being derived from a sustainable activity, or

b. using a Best-in-Universe approach consisting of giving priority to the investee companies best rated from a non-financial viewpoint irrespective of their sector of activity, the SDG scoring of the investee company's Operations is on the better top 2.5%, except in consideration to the SDG 5 (Gender equality), SDG 8 (Decent work and economic growth), SDG 10 (Reduced inequalities), SDG 12 (Responsible consumption and production) and SDG 16 (Peace, justice and strong institutions), for which the SDG scoring of the investee company's Operations is on the better top 5%. For SDG 5, 8, 10 and 16 the selectivity criteria on investee company's Operations is less restrictive as such SDGs are

better addressed considering the way the issuer carries out its activities than the products and services offered by the investee company. It is also less restrictive for SDG 12 which can be addressed through the products and services or the way the investee company carries out its activities.

The quantitative SDG results are sourced from external data providers and can be overridden by a duly supported qualitative analysis performed by the Investment Manager.

The assessment is done at entity level and an investee company that satisfies the contribution to UN SDG criteria outlined above is considered as sustainable.

**2. Integration of investee companies engaged in a solid Transition Pathway** consistently with the European Commission's ambition to help fund the transition to a 1.5°C world - based on the framework developed by the Science Based Targets Initiative, considering investee companies which have validated Science-Based targets.

Those methodologies may evolve in the future to take into account any improvements for example in data availability and reliability, or any developments of, but not limited to, regulations or other external frameworks or initiatives.

The Financial Product is not taking into consideration the criteria of the EU Taxonomy environmental objectives.

***How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?***

The application of the Do No Significant Harm ("DNSH") Principle for the sustainable investments the Financial Product partially intends to make means that an investee company cannot qualify as sustainable if it meets any of the criteria listed below:

- The investee company causes harm along any of the SDGs when one of its SDG scores is below -5 based on a quantitative database from an external provider on a scale ranging from +10 corresponding to 'significantly contributing' to -10 corresponding to 'significantly obstructing', unless the quantitative score has been qualitatively overridden. This criterion is applied on the investee companies that are considered as sustainable.
- The investee company is in AXA IM's sectorial and ESG standards ban lists (as described below), which consider among other factors the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights. This criterion is applied on the entire portfolio.
- The investee company has a CCC (or 1.43) or lower ESG scoring according to AXA IM ESG scoring methodology. The ESG score is based on ESG scoring from external data provider as primary inputs assessing data points across Environment, Social and Governance (ESG) dimensions. AXA IM analysts can complement with a fundamental and documented ESG analysis in case of lack of coverage or disagreement on the ESG scoring provided that it is approved by AXA IM dedicated internal governance body. This criterion is applied on the entire portfolio.

Indicators for principal adverse impacts on sustainability factors are considered, including through the application of AXA IM's exclusion and stewardship policies.

***How have the indicators for adverse impacts on sustainability factors been taken into account?***

The Financial Product takes into consideration Principal Adverse Impacts ("PAI") indicators to ensure that the sustainable investments are not harming significantly any other sustainability objectives under SFDR.

Principal adverse impacts are mitigated through sectorial exclusion policies and AXA IM ESG standards (as described below) that are applied bindingly at all times by the Financial Product, as well as through

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

the filters based on UN Sustainable Development Goals scoring. No specific threshold or comparison with reference value have been defined within the DNSH approach.

#### Exclusion Policies:

##### - Environmental:

Relevant AXA IM policies	PAI indicator
Climate Risk policy Ecosystem Protection & Deforestation policy	PAI 1: Green House Gas (GHG) emissions (scope 1, 2, & 3 starting 01/2023)
	PAI 2: Carbon Footprint
	PAI 3: GHG intensity of investee companies
Climate Risk policy	PAI 4: Exposure to Companies active in the fossil fuel sector
Climate Risk policy (considering an expected correlation between GHG emissions and energy consumption) <sup>1</sup>	PAI 6: Energy consumption intensity per high impact climate sector
Ecosystem Protection & Deforestation policy	PAI 7: Activities negatively affecting biodiversity sensitive areas

##### - Social and Governance:

Relevant AXA IM policies	PAI indicator
ESG standards policy: violation of international norms and standards	PAI 10: Violations of United Nations Global Compact Principles & OECD Guidelines for Multinational Enterprises
ESG standards policy: violation of international norms and standards (considering an expected correlation between companies non-compliant with international norms and standards and the lack of implementation by companies of processes and compliance mechanisms to monitor compliance with those standards) <sup>2</sup>	PAI 11: Lack of processes and compliance mechanisms to monitor compliance with United Nations Global Compact Principles & OECD Guidelines for Multinational Enterprises
Controversial weapons policy	PAI 14: Exposure to controversial weapons

#### Filter based on UN SDGs:

The Investment Manager also relies on the SDG pillar of its sustainable investment framework to monitor and take into account adverse impacts on those sustainability factors by excluding investee companies which have a SDG score under – 5 on any SDG (on a scale from + 10 corresponding to ‘significant contributing impact’ to – 10 corresponding to ‘significant obstructing impact’), unless the quantitative score has been qualitatively overridden following a duly documented analysis by AXA IM Core ESG & Impact Research. This approach enables AXA IM to ensure investee companies with the worst adverse impacts on any SDG are not considered as sustainable investments.

Data availability and quality is lower for the time being on certain sustainability factors related to biodiversity as an example, which may impact the coverage for the following PAI indicators: emissions to water (PAI 8), hazardous and radioactive waste ratio (PAI 9), share of non-renewable energy consumption and production (PAI 5), unadjusted gender pay gap (PAI 12) and Board Gender diversity

<sup>1</sup> The approach used to mitigate the PAI indicators through this exclusion policy will evolve as the improvement in data availability and quality enables AXA IM to use the PAI more effectively. Not all high impact climate sectors are targeted by the exclusion policy for the time being.

<sup>2</sup> The approach used to mitigate the PAI indicators through this exclusion policy will evolve as the improvement in data availability and quality enables AXA IM to use the PAI more effectively.

(PAI 13). Those sustainability factors are part of the 17 objectives targeted by the United Nations SDGs (more specifically they are covered through SDG 5 “Gender equality”, SDG 6 “Clean water and sanitation”, SDG 8 “Decent work and economic growth”, SDG 10 “Reduced inequalities”, SDG 12 “Responsible consumption and production” and SDG 14 “Life below water”) and AXA IM’s framework there enables to mitigate the worst impacts pending the increase on data availability and quality.

- *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:*

The Financial Product does not invest in companies which cause, contribute or are linked to violations of international norms and standards in a material manner. Those standards focus on Human Rights, Society, Labour and Environment and as such, provide a methodology to help assess the good governance practices of an issuer, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance. AXA IM relies on an external provider’s screening framework and excludes any investee companies that have been assessed as “non-compliant” to United Nations Global Compact Principles, International Labour Organisation’s (ILO) Conventions, OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights (UNGPs).

The EU Taxonomy sets out a “do no significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.

The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

Any other sustainable investments must also not significantly harm any environmental or social objectives.



### **Does this financial product consider principal adverse impacts on sustainability factors?**

☒ Yes

☐ No

Principal adverse impacts are considered with both (i) qualitative and (ii) quantitative approaches:

(i) Qualitative approach to consider principal adverse impacts is based on exclusions. Exclusions applied as part of the application of (i) AXA IM’s Sectorial policies and ESG Standards and (ii) exclusion criteria for Paris-aligned Benchmarks (PAB), as defined in the Benchmark Regulation Delegated Regulation (CDR (EU) 2020/1818) Article 12(1)(a)-(g), covering the most material sustainability factors’ risks and are applied bindingly on a continuous basis. PAB exclusions do not apply to green bonds that have been issued under the European Green Bonds Regulation (Regulation (EU) 2023/2631). For other types of green bonds not issued pursuant to the EU Green Bond Regulation, the PAB exclusions are applied on a look-through basis to the projects financed by these instruments, by relying on the AXA IM Green Bonds assessment framework.

Through those exclusions, the Financial Product takes into consideration potential negative impact on those specific PAI indicators:



For Corporates:

	<b>Relevant AXA IM policies and regulatory requirements</b>	<b>PAI indicator</b>
<b>Climate and other environment related indicators</b>	AXA IM Climate Risks policy Paris-Aligned Benchmarks exclusions CDR (EU) 2020/1818) Article 12(1)(a)-(g))	PAI 1: Green House Gas (GHG) emissions (scope 1, 2 & 3 starting 01/2023)
	AXA IM Ecosystem Protection & Deforestation policy	
	AXA IM Climate Risks policy Paris-Aligned Benchmarks exclusions CDR (EU) 2020/1818) Article 12(1)(a)-(g))	PAI 2: Carbon Footprint
	AXA IM Ecosystem Protection & Deforestation policy	
	AXA IM Climate Risks policy Paris-Aligned Benchmarks exclusions CDR (EU) 2020/1818) Article 12(1)(a)-(g))	PAI 3: GHG intensity of investee companies
	AXA IM Ecosystem Protection & Deforestation policy	
	AXA IM Climate Risks policy Paris-Aligned Benchmarks exclusions CDR (EU) 2020/1818) Article 12(1)(a)-(g))	PAI 4: Exposure to companies active in the fossil fuel sector
	AXA IM Climate Risks policy (considering an expected correlation between GHG emissions and energy consumption) <sup>3</sup> Paris-Aligned Benchmarks exclusions CDR (EU) 2020/1818) Article 12(1)(a)-(g))	PAI 6: Energy consumption intensity per high impact climate sector
<b>Social and employee respect for human rights, anti-corruption and anti-bribery matters</b>	AXA IM Ecosystem Protection & Deforestation policy	PAI 7: activities negatively affecting biodiversity sensitive area
	AXA IM ESG Standard Policy / violation of international norms and standards Paris-Aligned Benchmarks exclusions CDR (EU) 2020/1818) Article 12(1)(a)-(g))	PAI 10: Violation of United Nations Global Compact Principles & OECD Guidelines for Multinational Enterprises
	AXA IM ESG Standards Policy: violation of international norms and standards (considering an expected correlation between companies non-compliant with international norms and standards and the lack of implementation by companies of processes and	PAI 11: Lack of processes and compliance mechanisms to monitor compliance with United Nations Global Compact Principles & OECD Guidelines for Multinational Enterprises

<sup>3</sup> The approach used to mitigate the PAI indicators through this exclusion policy will evolve as the improvement in data availability and quality enables AXA IM to use the PAI more effectively. Not all high impact climate sectors are targeted by the exclusion policy for the time being

	compliance mechanisms to monitor compliance with those standards) <sup>4</sup> Paris-Aligned Benchmarks exclusions CDR (EU) 2020/1818 Article 12(1)(a)-(g))	
	AXA IM Controversial weapons policy Paris-Aligned Benchmarks exclusions CDR (EU) 2020/1818 Article 12(1)(a)-(g))	PAI 14: Exposure to controversial weapons

For Sovereigns and Supranationals:

	Relevant AXA IM policies	PAI indicator
<b>Social</b>	AXA IM ESG standards with the exclusion of investee countries with severe social violations	PAI 16: Sovereign investee countries subject to social violations
	AXA IM Compliance black-list based on international and EU sanctions	

(ii) Principal adverse impacts are also considered quantitatively through the PAI indicators' measurement and reported annually in the SFDR annex in the periodic reporting. The objective is to provide transparency to investors on significant negative impact on other sustainability factors. AXA IM measures all the mandatory PAI indicators, plus additional optional environmental indicator and additional optional social indicator.



## What investment strategy does this financial product follow?

**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

The Investment Manager selects investments by applying an extra-financial approach based on exclusion filters as described in (i) AXA IM's Sectorial Exclusion and ESG Standard Policies; and (ii) those applicable to Paris-aligned Benchmarks (PAB), as defined in the Benchmark Regulation Delegated Regulation (CDR (EU) 2020/1818) Article 12(1)(a)-(g). PAB exclusions do not apply to green bonds that have been issued under the European Green Bonds Regulation. For other types of green bonds not issued pursuant to the EU Green Bonds Regulation, the PAB exclusions are applied on a look-through basis to the projects financed by these instruments, by relying on the AXA IM Green Bonds assessment framework.

Those sectorial exclusions cover areas such as Controversial Weapons, Climate risks, Soft Commodities, Ecosystem Protection & Deforestation and Tobacco. The AXA IM's ESG Standards encompass specific exclusions on white phosphorus weapons and exclude investments in securities issued by companies in violation of international norms and standards such as the United Nations Global Compact Principles or the OECD Guidelines for Multinational Enterprises; as well as investments in securities issued by companies which are involved in severe ESG-related incidents and investments in securities issued by companies with a Low ESG quality (which has, as of the date of this document, ESG scoring below 1.43 (on a scale of 0 to 10) – such number being subject to adaptation). Instruments issued by countries where serious specific categories of violations of Human Rights are observed are also banned. More details on those policies are available under the following link: [Policies and reports | AXA IM Corporate \(axa-im.com\)](https://www.axa-im.com/en/policies-and-reports)

<sup>4</sup> The approach used to mitigate the PAI indicators through this exclusion policy will evolve as the improvement in data availability and quality enables AXA IM to use the PAI more effectively.

The PAB exclusions cover controversial weapons, tobacco, United Nations Global Compact (UNGC) and OECD Guidelines for Multinational enterprises, oil & gas and power generation.

The Financial Product uses an 'extra-financial indicator improvement' approach where the Financial Products outperforms its Benchmark in terms of the weighted average Carbon Intensity by at least 30%.

In addition, the Financial Product outperforms its Benchmark, in terms of weighted average Water Intensity and ESG scoring.

● ***What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?***

The Financial Product bindingly applies at all times the following elements described below.

1. The Investment Manager bindingly applies at all times AXA IM's Sectorial Exclusion and ESG Standards Policies as a first exclusion filter.

The Sectorial Exclusions Policies exclude companies linked to Controversial Weapons, Climate risks, Soft Commodities (based on food and basic agricultural or the marine commodities), unsustainable practices relating to Ecosystem Protection & Deforestation and Tobacco.

The ESG Standards Policy (the "ESG Standards") encompasses specific exclusions on white phosphorus weapons and excludes investments in securities issued by companies in violation of international norms and standards such as the United Nations Global Compact Principles or the OECD Guidelines for Multinational Enterprises; as well as investments in securities issued by companies which are involved in severe ESG-related incidents and investments in securities issued by companies with a Low ESG quality (which has, as of the date of this document, ESG scoring below 1.43 (on a scale of 0 to 10) – such number being subject to adaptation). Instruments issued by countries where serious specific categories of violations of Human Rights are observed are also banned. More details on those policies are available under the following link: [Policies and reports | AXA IM Corporate \(axa-im.com\)](https://www.axa-im.com/en/policies-and-reports)

The Financial product applies Paris-aligned Benchmarks (PAB) exclusions, as defined in the Benchmark Regulation Delegated Regulation (CDR (EU) 2020/1818) Article 12(1)(a)-(g), except for green bonds that have been issued under the EU Green Bonds Regulation. For other types of green bonds not issued pursuant to the EU Green Bonds Regulation, the PAB exclusions are applied on a look-through basis to the projects financed by these instruments, by relying on the AXA IM Green Bonds assessment framework. Those exclusions cover controversial weapons, tobacco, United Nations Global Compact (UNGC) and OECD Guidelines for Multinational Enterprises, oil & gas and power generation. The controversial weapons, tobacco and United Nations Global Compact (UNGC) and OECD Guidelines for Multinational Enterprises exclusion requirements are already covered by AXA IM's Sectorial Exclusions and ESG Standards Policies.

2. The Financial Product uses an 'extra-financial indicator improvement' approach where the Financial Products outperforms its Benchmark in terms of the weighted average Carbon Intensity by at least 30%. The Financial Product also outperforms its Benchmark, in terms of weighted average Water Intensity.

3. In addition, the Financial Product always outperforms the Benchmark in terms of ESG score calculated on a weighted average basis. ESG score is based on ESG scoring from external data provider as primary inputs assessing data points across Environment, Social and Governance (ESG) dimensions

that include the environmental and social characteristics described above and promoted by the Financial Product. AXA IM ESG analysts can complement with a fundamental and documented ESG analysis in case of lack of coverage or disagreement on the ESG scoring provided that it is approved by AXA IM dedicated internal governance body. AXA IM has implemented scoring methodologies to rate issuers (corporates, sovereigns, green, social and sustainability bonds) on ESG criteria. These methodologies allow to rate corporates and sovereign issuers and are based on quantitative data from several data providers as well as on qualitative analysis from internal and external research. The data used in these methodologies include carbon emissions, water stress, health and safety at work, supply chain labour standards, business ethics, corruption and instability.

AXA IM has implemented scoring methodologies to rate issuers (corporates, sovereigns, green, social and sustainability bonds) on ESG criteria. These methodologies allow to rate corporates and sovereign issuers and are based on quantitative data from several data providers as well as on qualitative analysis from internal and external research. The data used in these methodologies include carbon emissions, water stress, health and safety at work, supply chain labour standards, business ethics, corruption and instability.

The corporate and sovereign scoring methodologies rely on three pillars and several sub-factors that cover the most material risk factors encountered by issuers in the E, S and G fields. The frame of reference draws on fundamental principles, such as United Nations Global Compact Principles, the OECD Guidelines for Multinational Enterprises, the International Labour Organisation's (ILO) Conventions, and other international principles and conventions that guide companies and governments activities in the field of sustainable development and social responsibility. The analysis is based on the most material ESG risks and opportunities previously identified for each sector and company, with 10 factors: Climate Change, Natural Capital, Pollution and Waste, Environmental Opportunities, Human Capital, Product Liability, Stakeholder Opposition, Social Opportunities, Corporate Governance and Corporate Behaviour. The final ESG score also incorporates the concept of industry dependent factors and deliberately differentiates between sectors, to overweight the most material factors for each industry. Materiality is not limited to impacts relating to an issuer's operations, it also includes the impacts on external stakeholders as well as the underlying reputational risk arising from a poor grasp of major ESG issues. In the corporate methodology, the severity of controversies is assessed and monitored on an ongoing basis to make sure that the most material risks are reflected in the final ESG score. The controversies with high severity will trigger large penalties on the sub-factor scores and ultimately on the ESG scores.

4. The minimum coverage rate rates apply with the Financial Product portfolio (expressed as a percentage of the net assets, excluding cash held on an ancillary basis and Solidarity Assets): i) 90% for the ESG analysis, ii) 90% for the Carbon Intensity indicator and iii) 70% for the Water Intensity indicator.

These ESG scores provide a standardized and holistic view on the performance of issuers on ESG factors and enable to both promote Environmental and/or Social characteristics of the Financial Product.

The ESG data (of which ESG score or SDG score wherever relevant) used in the investment process are based on ESG methodologies which rely in part on third party data, and in some cases are internally developed. They are subjective and may change over time. Despite several initiatives, the lack of harmonized definitions can make ESG criteria heterogeneous. As such, the different investment strategies that use ESG criteria and ESG reporting are difficult to compare with each other. Strategies that incorporate ESG criteria and those that incorporate sustainable development criteria may use ESG data that appear similar but which should be distinguished because their calculation method may be different. AXA IM's ESG different methodologies described herein may evolve in the future to take into

account any improvements in data availability and reliability, or any developments of regulations or other external frameworks or initiatives - among others.

● ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

There is no committed minimum rate to reduce the scope of the investments considered.

● ***What is the policy to assess good governance practices of the investee companies?***

**Good governance**  
practices include sound management structures, employee relations, remuneration of staff and tax compliance.

The Financial Product does not invest in companies which cause, contribute or are linked to violations of international norms and standards in a material manner. Those standards focus on Human Rights, Society, Labour and Environment and as such, provide a methodology to help assess the good governance practices of an investee company, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance. AXA IM relies on an external provider's screening framework and excludes any investee companies that have been assessed as "non-compliant" to United Nations Global Compact Principles, International Labour Organisation's (ILO) Conventions, OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights (UNGPs).





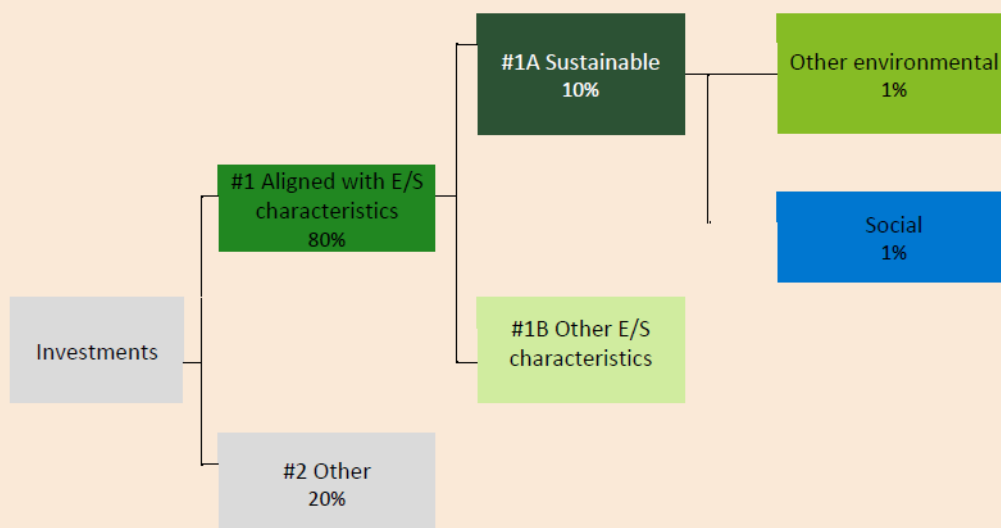
## What is the asset allocation planned for this financial product?

### Asset allocation

describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments

The Financial Product aims to plan its asset allocation as presented in the graph above. This planned asset allocation might deviate on a temporary basis.

The planned minimum proportion of the investments of the Financial Product used to meet the environmental or social characteristics promoted by the Financial Product is 80% of the Financial Product's Net Asset Value.

The planned minimum proportion of sustainable investments of the Financial Product where that Financial Product commits to making sustainable investments is 10% of the Financial Product's Net Asset Value.

The remaining "Other" investments will represent a maximum of 20% of the Financial Product's Net Asset Value. Remaining "Other" investments are used for hedging, liquidity and portfolio management of the Financial Product. Minimum environmental or social safeguards based on AXA IM exclusion policies are assessed and applied on all "Other" assets except on (i) non-single name derivatives, (ii) on UCITS and/or UCIs managed by other management company and (iii) on cash and cash equivalent investments described above.

### ***How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?***

Not applicable



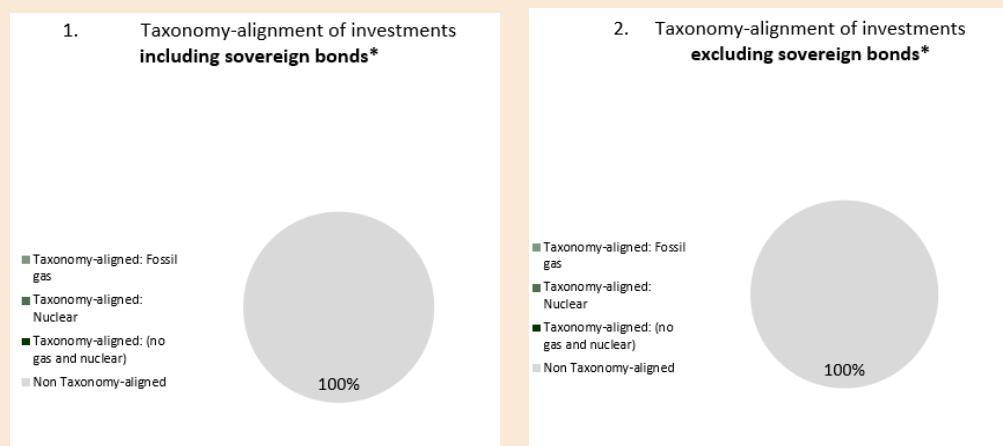
## To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

The Financial Product does not take into consideration the criteria of the EU Taxonomy environmental objectives. The Financial Product is not considering the 'do no significant harm' criteria of the EU Taxonomy.

### Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy?<sup>5</sup>

- ☐ Yes
- ☐ In fossil gas ☐ In nuclear energy
- ☒ No

The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy-alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy-alignment only in relation to the investments of the financial product other than sovereign bonds.



This graph represents 100% of the total investments.

\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures

### What is the minimum share of investments in transitional and enabling activities?

Not applicable



### What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

The minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy is 1% of the Financial Product's Net Asset Value.

<sup>5</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objectives -see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

The proportion of investments between environmental sustainable assets not aligned with EU Taxonomy and social sustainable assets is freely allocated and adds up to at least the total sustainable investments.



### **What is the minimum share of socially sustainable investments?**

The minimum share of sustainable investments with social objectives is 1% of the Financial Product's Net Asset Value.

The proportion of investments between environmental sustainable assets not aligned with EU Taxonomy and social sustainable assets is freely allocated and adds up to at least the total sustainable investments.



### **What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?**

The remaining “Other” investments will represent a maximum of 20% of the Financial Product's Net Asset Value. The “other” assets may consist in:

- cash and cash equivalent investments, and
- other instruments eligible to the Financial Product, such assets may be transferable securities, derivatives investments and investment collective schemes that do not promote environmental or social characteristics and that are used to attain the financial objective of the Financial Product and/or for diversification. Those other instruments, when providing exposure to an investee company, to the exception of short positions, comply with PAB exclusions. When derivatives are used for hedging purpose, those assets do not promote environmental or social characteristics of the Financial Product nor comply with PAB exclusions.

Environmental or social safeguards are applied and assessed on all “other” assets except on (i) non-single name derivatives, (ii) on UCITS and/or UCIs managed by other management company and (iii) on cash and cash equivalent investments described above.



### **Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?**

Not applicable as the designated Benchmark is a broad market index which is not aligned with the environmental and/or social characteristics promoted by the Financial Product.



### **Where can I find more product specific information online?**

More information can be found on the AXA IM fund centre following that link: [Funds - AXA IM Global \(axa-im.com\)](https://www.axa-im.com).

More details on AXA IM sustainable investment frameworks are available on [Sustainable Finance | SFDR | AXA IM Corporate \(axa-im.com\)](https://www.axa-im.com).

**Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852**

**Product name:** AXA World Funds - Evolving Trends (the "Financial Product")

**Legal entity identifier:** 213800XUJVRQ1XWNYI35

## Environmental and / or social characteristics

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Does this Financial Product have a sustainable investment objective?	
<input checked="" type="radio"/> <input checked="" type="radio"/> <input type="checkbox"/> YES	<input checked="" type="radio"/> <input type="radio"/> <input checked="" type="checkbox"/> NO
<input type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective</b> : _%	<input checked="" type="checkbox"/> It <b>promotes Environmental/Social (E/S) characteristics</b> and while it does not have as its objective a sustainable investment, it will have a minimum proportion of 40% of sustainable investments
<input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy	<input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
<input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy	<input checked="" type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
<input type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective</b> : _%	<input checked="" type="checkbox"/> with a social objective
	<input type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b>



### What environmental and/or social characteristics are promoted by this financial product?

The environmental and social characteristics promoted by the Financial Product consist of investing in securities issued by issuers considering their Carbon Intensity.

The Financial Product also promotes other specific environmental and social characteristics, mainly:

- Preservation of climate with exclusion policies on coal and unconventional oil & gas activities
- Protection of ecosystem and prevention of deforestation
- Better health with exclusion on tobacco

- Labour rights, society and human rights, business ethics, anti-corruption with exclusion on companies in violation of international norms and standards such as the United Nations Global Compact Principles, International Labour Organisation's (ILO) Conventions or the OECD Guidelines for Multinational Enterprises
- Protection of human rights avoiding investing in debt instruments issued by countries where the worst forms of human right violations are observed

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by this Financial Product. A broad market index, MSCI AC World Total Return Net benchmark index (the "Benchmark"), has been designated by the Financial Product.

The initial investment universe of the Financial Product will be composed of equities of companies anywhere in the world (the "Investment Universe").

### ***What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?***

The attainment of the environmental and social characteristics promoted by the Financial Product and described above is measured with the following sustainability indicator:

- The weighted average Carbon Intensity of the Financial Product and of its Benchmark, defined as the amount of GHG emissions (covering at least scope 1 and 2) per tons per millions \$ revenue released into the atmosphere, expressed in CO<sub>2</sub>e tons per millions \$ revenue.

### ***What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?***

The Financial Product intends to partially invest in instruments qualifying as sustainable investments with various social and environmental objectives (without any limitation) by assessing the positive contribution of investee companies through at least one of the following dimensions:

**1. UN Sustainable Development Goals alignment (SDG)** of investee companies as reference framework, considering investee companies which contribute positively to at least one SDG either through the products and services they offer or the way they carry out their activities ("Operations"). To be considered as a sustainable asset, an investee company must satisfy the following criteria:

a. the SDG scoring related to the "products and services" offered by the investee company is equal or above 2, corresponding to at least 20% of its revenues being derived from a sustainable activity, or

b. using a Best-in-Universe approach consisting of giving priority to the investee companies best rated from a non-financial viewpoint irrespective of their sector of activity, the SDG scoring of the investee company's Operations is on the better top 2.5%, except in consideration to the SDG 5 (Gender equality), SDG 8 (Decent work and economic growth), SDG 10 (Reduced inequalities), SDG 12 (Responsible consumption and production) and SDG 16 (Peace, justice and strong institutions), for which the SDG scoring of the investee company's Operations is on the better top 5%. For SDG 5, 8, 10 and 16 the selectivity criteria on investee company's Operations is less restrictive as such SDGs are better addressed considering the way the investee company carries out its activities than the products and services offered by the investee company. It is also less restrictive for SDG 12 which can be addressed through the products and services or the way the investee company carries out its activities.

The quantitative SDG results are sourced from external data providers and can be overridden by a duly supported qualitative analysis performed by the Investment Manager.

The assessment is done at entity level and an investee company that satisfies the contribution to UN SDG criteria outlined above is considered as sustainable.



**2. Integration of investee companies engaged in a solid Transition Pathway** consistently with the European Commission's ambition to help fund the transition to a 1.5°C world - based on the framework developed by the Science Based Targets Initiative, considering investee companies which have validated Science-Based targets.

Those methodologies may evolve in the future to take into account any improvements for example in data availability and reliability, or any developments of, but not limited to, regulations or other external frameworks or initiatives.

The Financial Product is not taking into consideration the criteria of the EU Taxonomy environmental objectives.

***How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?***

The application of the Do No Significant Harm ("DNSH") Principle for the sustainable investments the Financial Product partially intends to make means that an investee company cannot qualify as sustainable if it meets any of the criteria listed below:

- The investee company causes harm along any of the SDGs when one of its SDG scores is below -5 based on a quantitative database from an external provider on a scale ranging from +10 corresponding to 'significantly contributing' to -10 corresponding to 'significantly obstructing', unless the quantitative score has been qualitatively overridden. This criterion is applied on the investee companies that are considered as sustainable.
- The investee company is in AXA IM's sectorial and ESG standards ban lists (as described below), which consider among other factors the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights. This criterion is applied on the entire portfolio.
- The investee company has a CCC (or 1.43) or lower ESG scoring according to AXA IM ESG scoring methodology. The ESG score is based on ESG scoring from external data provider as primary inputs assessing data points across Environment, Social and Governance (ESG) dimensions. AXA IM analysts can complement with a fundamental and documented ESG analysis in case of lack of coverage or disagreement on the ESG scoring provided that it is approved by AXA IM dedicated internal governance body. This criterion is applied on the entire portfolio.

Indicators for principal adverse impacts on sustainability factors are considered, including through the application of AXA IM's exclusion and stewardship policies.

***How have the indicators for adverse impacts on sustainability factors been taken into account?***

The Financial Product takes into consideration Principal Adverse Impacts ("PAI") indicators to ensure that the sustainable investments are not harming significantly any other sustainability objectives under SFDR.

Principal adverse impacts are mitigated through sectorial exclusion policies and AXA IM ESG standards (as described below) that are applied bindingly at all times by the Financial Product, as well as through the filters based on UN Sustainable Development Goals scoring. No specific threshold or comparison with reference value have been defined within the DNSH approach.

Where relevant, stewardship policies are an additional risk mitigation on principal adverse impacts through direct dialogue with investee companies on sustainability and governance issues. Through the engagement activities, the Financial Product will use its influence as an investor to encourage investee companies to mitigate environmental and social risks relevant to their sectors.

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

Voting at general meetings is also an important element of the dialogue with investee companies in order to foster sustainably long-term value of the investee companies in which the Financial Product invests and mitigates adverse impacts.

**Exclusion Policies:**

- **Environmental:**

Relevant AXA IM policies	PAI indicator
Climate Risk policy Ecosystem Protection & Deforestation policy	PAI 1: Green House Gas (GHG) emissions (scope 1, 2, & 3 starting 01/2023)
	PAI 2: Carbon Footprint
	PAI 3: GHG intensity of investee companies
Climate Risk policy	PAI 4: Exposure to Companies active in the fossil fuel sector
Climate Risk policy (engagement only)	PAI 5: Share of non-renewable energy consumption and production
Climate Risk policy (considering an expected correlation between GHG emissions and energy consumption) <sup>1</sup>	PAI 6: Energy consumption intensity per high impact climate sector
Ecosystem Protection & Deforestation policy	PAI 7: Activities negatively affecting biodiversity sensitive areas

- **Social and Governance:**

Relevant AXA IM policies	PAI indicator
ESG standards policy: violation of international norms and standards	PAI 10: Violations of United Nations Global Compact Principles & OECD Guidelines for Multinational Enterprises
ESG standards policy: violation of international norms and standards (considering an expected correlation between companies non-compliant with international norms and standards and the lack of implementation by companies of processes and compliance mechanisms to monitor compliance with those standards) <sup>2</sup>	PAI 11: Lack of processes and compliance mechanisms to monitor compliance with United Nations Global Compact Principles & OECD Guidelines for Multinational Enterprises
Voting and Engagement policy with systematic voting criteria linked with board gender diversity	PAI 13: Board Gender diversity
Controversial weapons policy	PAI 14: Exposure to controversial weapons

<sup>1</sup> The approach used to mitigate the PAI indicators through this exclusion policy will evolve as the improvement in data availability and quality enables AXA IM to use the PAI more effectively. Not all high impact climate sectors are targeted by the exclusion policy for the time being.

<sup>2</sup> The approach used to mitigate the PAI indicators through this exclusion policy will evolve as the improvement in data availability and quality enables AXA IM to use the PAI more effectively.

### Filter based on UN SDGs:

The Investment Manager also relies on the SDG pillar of its sustainable investment framework to monitor and take into account adverse impacts on those sustainability factors by excluding investee companies which have a SDG score under – 5 on any SDG (on a scale from + 10 corresponding to ‘significant contributing impact’ to – 10 corresponding to ‘significant obstructing impact’), unless the quantitative score has been qualitatively overridden following a duly documented analysis by AXA IM Core ESG & Impact Research. This approach enables AXA IM to ensure investee companies with the worst adverse impacts on any SDG are not considered as sustainable investments.

Data availability and quality is lower for the time being on certain sustainability factors related to biodiversity as an example, which may impact the coverage for the following PAI indicators: emissions to water (PAI 8), hazardous and radioactive waste ratio (PAI 9) and unadjusted gender pay gap (PAI 12). Those sustainability factors are part of the 17 objectives targeted by the United Nations SDGs (more specifically they are covered through SDG 5 “Gender equality”, SDG 6 “Clean water and sanitation”, SDG 8 “Decent work and economic growth”, SDG 10 “Reduced inequalities”, SDG 12 “Responsible consumption and production” and SDG 14 “Life below water”) and AXA IM’s framework there enables to mitigate the worst impacts pending the increase on data availability and quality.

- *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:*

The Financial Product does not invest in companies which cause, contribute or are linked to violations of international norms and standards in a material manner. Those standards focus on Human Rights, Society, Labour and Environment and as such, provide a methodology to help assess the good governance practices of an issuer, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance. AXA IM relies on an external provider’s screening framework and excludes any investee companies that have been assessed as “non-compliant” to United Nations Global Compact Principles, International Labour Organisation’s (ILO) Conventions, OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights (UNGPs).

The EU Taxonomy sets out a “do no significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.

The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

Any other sustainable investments must also not significantly harm any environmental or social objectives.



### Does this financial product consider principal adverse impacts on sustainability factors?

☒ Yes

☐ No

Principal adverse impacts are considered with both (i) qualitative and (ii) quantitative approaches:

(i) Qualitative approach to consider principal adverse impacts is based on exclusion and, where relevant, stewardship policies. Exclusions applied as part of the AXA IM's Sectorial Exclusion Policies and ESG Standards cover the most material sustainability factors' risks and are applied bindingly on a continuous basis.

Where relevant, stewardship policies are an additional risk mitigation on principal adverse impacts through direct dialogue with investee companies on sustainability and governance issues. Through its engagement activities, the Financial Product will use its influence as an investor to encourage investee companies to mitigate environmental and social risks relevant to their sectors.

Voting at general meetings is an important element of the dialogue with investee companies in order to foster sustainably long-term value of the investee companies in which the Financial Product invests and mitigates adverse impacts.

Through those exclusion and stewardship policies the Financial Product takes into consideration potential negative impact on those specific PAI indicators:

For Corporates:

	Relevant AXA IM policies	PAI indicator
<b>Climate and other environment related indicators</b>	Climate Risk policy	PAI 1: Green House Gas (GHG) emissions (scope 1, 2 & 3 starting 01/2023)
	Ecosystem Protection & Deforestation policy	
	Climate Risk policy	PAI 2: Carbon Footprint
	Ecosystem Protection & Deforestation policy	
	Climate Risk policy	PAI 3: GHG intensity of investee companies
	Ecosystem Protection & Deforestation policy	
	Climate Risk policy	PAI 4: Exposure to companies active in the fossil fuel sector
	Climate Risk policy (engagement only)	PAI 5: Share of non-renewable energy consumption and production
	Climate Risk policy (considering an expected correlation between GHG emissions and energy consumption) <sup>3</sup>	PAI 6: Energy consumption intensity per high impact climate sector
	Ecosystem Protection & Deforestation policy	PAI 7: activities negatively affecting biodiversity sensitive area
<b>Social and employee respect for human rights, anti-corruption and anti-bribery matters</b>	ESG standard policy / violation of international norms and standards	PAI 10: Violation of United Nations Global Compact Principles & OECD Guidelines for Multinational Enterprises

<sup>3</sup> The approach used to mitigate the PAI indicators through this exclusion policy will evolve as the improvement in data availability and quality enables AXA IM to use the PAI more effectively. Not all high impact climate sectors are targeted by the exclusion policy for the time being.

	ESG standards policy: violation of international norms and standards (considering an expected correlation between companies non-compliant with international norms and standards and the lack of implementation by companies of processes and compliance mechanisms to monitor compliance with those standards) <sup>4</sup>	PAI 11: Lack of processes and compliance mechanisms to monitor compliance with United Nations Global Compact Principles & OECD Guidelines for Multinational Enterprises
	Voting and Engagement policy with systematic voting criteria linked with board gender diversity	PAI 13: Board Gender diversity
	Controversial weapons policy	PAI 14: Exposure to controversial weapons

For Sovereigns and Supranationals:

	Relevant AXA IM policies	PAI indicator
<b>Social</b>	AXA IM ESG standards with the exclusion of investee countries with severe social violations	PAI 16: Sovereign Investee countries subject to social violations
	AXA IM Compliance black-list based on international and EU sanctions	

(ii) Principal adverse impacts are also considered quantitatively through the PAI indicators' measurement and reported annually in the SFDR annex in the periodic reporting. The objective is to provide transparency to investors on significant negative impact on other sustainability factors. AXA IM measures all the mandatory PAI indicators, plus additional optional environmental indicator and additional optional social indicator.



## What investment strategy does this financial product follow?

The Investment Manager selects investments by applying an extra-financial approach based on the exclusion filters as described in AXA IM's Sectorial Exclusion and ESG Standards Policies. Those sectorial exclusions cover areas such as Controversial Weapons, Climate risks, Soft Commodities, Ecosystem Protection & Deforestation and Tobacco. The ESG Standards encompass specific exclusions on white phosphorus weapons and exclude investments in securities issued by companies in violation of international norms and standards such as the United Nations Global Compact Principles or the OECD Guidelines for Multinational Enterprises; as well as investments in companies which are involved in severe ESG-related incidents and investments in securities issued by companies with a Low ESG quality (which is, as of the date of this document, below 1.43 (on a scale of 0 to 10) – such number being subject to adaptation). Instruments issued by countries where serious specific categories of violations of Human Rights are observed are also banned. More details on those policies are available under the following link: [Policies and reports | AXA IM Corporate \(axa-im.com\)](https://www.axa-im.com/en/policies-and-reports)

**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

<sup>4</sup> The approach used to mitigate the PAI indicators through this exclusion policy will evolve as the improvement in data availability and quality enables AXA IM to use the PAI more effectively.



● ***What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?***

The Financial Product bindingly invests at least 40% in Sustainable assets as defined by the application of the AXA IM sustainable investment framework based on the methodology which relies either on the contribution to the UN Sustainable Development Goals or on the fact that the investee company has defined Science-based targets which have been certified by the organisation. In addition, the Financial Product bindingly applies at all times the following elements described below.

1. The Investment Manager bindingly applies at all times AXA IM's Sectorial Exclusion and ESG Standards Policies as a first exclusion filter.

The Sectorial Exclusions Policies exclude companies linked to Controversial Weapons, Climate risks, Soft Commodities (based on food and basic agricultural or the marine commodities), unsustainable practices relating to, Ecosystem Protection & Deforestation and Tobacco.

The ESG Standards Policy (the “ESG Standards”) encompasses specific exclusions on white phosphorus weapons and excludes investments in securities issued by companies in violation of international norms and standards such as the United Nations Global Compact Principles or the OECD Guidelines for Multinational Enterprises; as well as investments in securities issued by companies which are involved in severe ESG-related incidents and investments in securities issued by companies with a Low ESG quality (which has, as of the date of this document, ESG scoring below 1.43 (on a scale of 0 to 10) – such number being subject to adaptation). Instruments issued by countries where serious specific categories of violations of Human Rights are observed are also banned.

More details on those policies are available under the following link: [Policies and reports | AXA IM Corporate \(axa-im.com\)](https://www.axa-im.com/en/policies-and-reports)

● ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

There is no committed minimum rate to reduce the scope of the investments considered.

● ***What is the policy to assess good governance practices of the investee companies?***

**Good governance**  
practices include sound management structures, employee relations, remuneration of staff and tax compliance.

The Financial Product does not invest in companies which cause, contribute or are linked to violations of international norms and standards in a material manner. Those standards focus on Human Rights, Society, Labour and Environment and as such, provide a methodology to help assess the good governance practices of an investee company, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance. AXA IM relies on an external provider's screening framework and excludes any investee companies that have been assessed as “non-compliant” to United Nations Global Compact Principles, International Labour Organisation's (ILO) Conventions, OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights (UNGPs).

In addition, ensuring good governance practices is also addressed by the engagement policies. AXA IM implemented a comprehensive active ownership strategy – engagement and voting – where AXA IM acts as stewards of investments made on the clients' behalf. AXA IM views engagement as a means for investors to influence, shape and shift investee companies' policies and practices to mitigate risks and secure long-term value. Governance practices of investee companies are engaged at first level by the portfolio managers and dedicated ESG analysts when meeting investee companies' management

team. It is through the long-term investor status and in-depth knowledge of the investment targets that AXA IM feels legitimate to engage in a constructive but demanding dialogue with them.



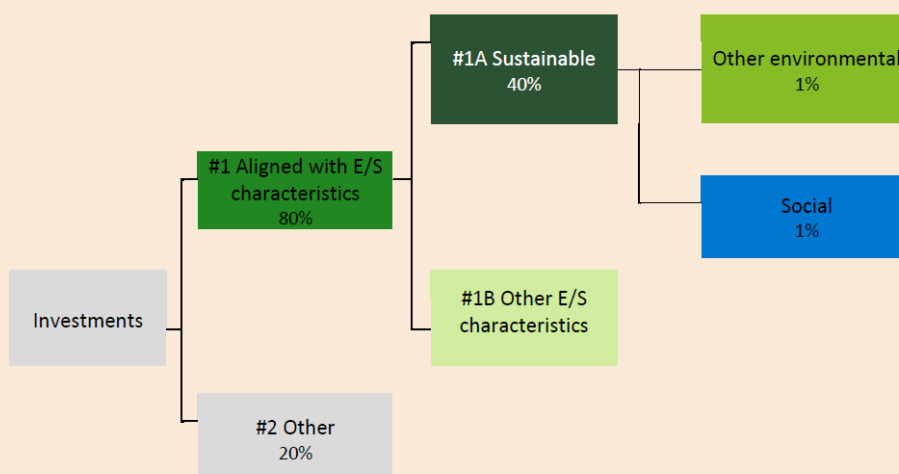
## What is the asset allocation planned for this financial product?

### Asset allocation

describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments

The Financial Product aims to plan its asset allocation as presented in the graph above. This planned asset allocation might deviate on a temporary basis.

The planned minimum proportion of the investments of the Financial Product used to meet the environmental or social characteristics promoted by the Financial Product is 80% of the Financial Product's Net Asset Value.

The planned minimum proportion of sustainable investments of the Financial Product where that Financial Product commits to making sustainable investments is 40% of the Financial Product's Net Asset Value.

The remaining "Other" investments will represent a maximum of 20% of the Financial Product's Net Asset Value. Remaining "Other" investments are used for hedging, liquidity and portfolio management of the Financial Product. Minimum environmental or social safeguards based on AXA IM exclusion policies are assessed and applied on all "Other" assets except on (i) non-single name derivatives, (ii) on UCITS and/or UCIs managed by other management company and (iii) on cash and cash equivalent investments described above.

### ● How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?

Not applicable



## To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

The Financial Product does not take into consideration the criteria of the EU Taxonomy environmental objectives. The Financial Product is not considering the 'do no significant harm' criteria of the EU Taxonomy.

### Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy?<sup>5</sup>

☐

Yes

☐

In fossil gas

☐

In nuclear energy

☒

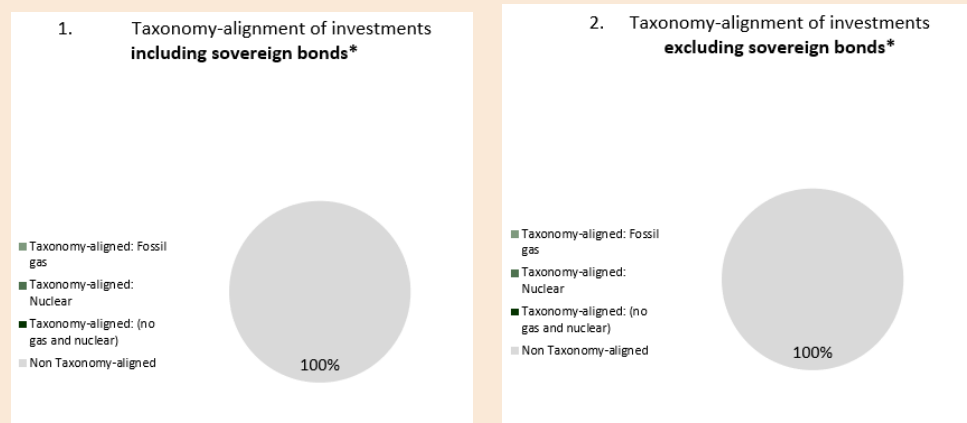
No

To comply with the EU taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy-alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy-alignment only in relation to the investments of the financial product other than sovereign bonds.



This graph represents 100% of the total investments.

\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures

### What is the minimum share of investments in transitional and enabling activities?

Not applicable



## What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

The minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy is 1% of the Financial Product's Net Asset Value.

The proportion of investments between environmental sustainable assets not aligned with EU Taxonomy and social sustainable assets is freely allocated and adds up to at least the total sustainable investments.

<sup>5</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objectives -see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.



### **What is the minimum share of socially sustainable investments?**

The minimum share of sustainable investments with social objectives is 1% of the Financial Product's Net Asset Value.

The proportion of investments between environmental sustainable assets not aligned with EU Taxonomy and social sustainable assets is freely allocated and adds up to at least the total sustainable investments.



### **What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?**

The remaining “Other” investments will represent a maximum of 20% of the Financial Product's Net Asset Value. The “other” assets may consist in:

- cash and cash equivalent investments, and
- other instruments eligible to the Financial Product and that do not meet the Environmental and/or Social criteria described in this document. Such assets may be transferable securities, derivatives investments and investment collective schemes that do not promote environmental or social characteristics and that are used to attain the financial objective of the Financial Product and/or for diversification and/or hedging purposes.

Environmental or social safeguards are applied and assessed on all “other” assets except on (i) non-single name derivatives, (ii) on UCITS and/or UCIs managed by other management company and (iii) on cash and cash equivalent investments described above.



### **Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?**

Not applicable as the designated Benchmark is a broad market index which is not aligned with the environmental and/or social characteristics promoted by the Financial Product.



### **Where can I find more product specific information online?**

More information can be found on the AXA IM fund centre following that link: [Funds - AXA IM Global \(axa-im.com\)](https://www.axa-im.com/funds).

More details on AXA IM sustainable investment frameworks are available on [Sustainable Finance | SFDR | AXA IM Corporate \(axa-im.com\)](https://www.axa-im.com/sustainable-finance).

**Pre-contractual disclosure for the financial products referred to in Article 9, paragraphs 1 to 4a, of Regulation (EU) 2019/2088 and Article 5, first paragraph of Regulation (EU) 2020/852**

**Product name:** AXA World Funds – People & Planet Equity  
(the “Financial Product”)

**Legal entity identifier:** 213800DW4R9H3NOZT149

## Sustainable investment objective

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Does this financial product have a sustainable investment objective?	
<input checked="" type="radio"/> <input checked="" type="radio"/> <input checked="" type="checkbox"/> YES	<input type="radio"/> <input type="radio"/> <input type="checkbox"/> NO
<input checked="" type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective: 15%</b>  <input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy  <input checked="" type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy  <input checked="" type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective: 15%</b>	<input type="checkbox"/> It <b>promotes Environmental/Social (E/S) characteristics</b> and while it does not have as its objective a sustainable investment, it will have a minimum proportion of    % of sustainable investments  <input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy  <input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy  <input type="checkbox"/> with a social objective  <input type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b>



### What is the sustainable investment objective of this financial product?

The Financial Product intends to invest in instruments qualifying as sustainable investments by assessing the positive contribution of investee companies through at least one of the following dimensions:

**1. UN Sustainable Development Goals alignment (SDG)** of investee companies as reference framework, considering investee companies which contribute positively to at least one SDG either through the products and services they offer or the way they carry out their activities (“Operations”). To be considered as a sustainable asset, an investee company must satisfy the following criteria:



a. the SDG scoring related to the “products and services” offered by the investee company is equal or above 2, corresponding to at least 20% of its revenues being derived from a sustainable activity, or

b. using a Best-in-Universe approach consisting of giving priority to the investee companies best rated from a non-financial viewpoint irrespective of their sector of activity, the SDG scoring of the investee company’s Operations is on the better top 2.5%, except in consideration to the SDG 5 (Gender equality), SDG 8 (Decent work and economic growth), SDG 10 (Reduced inequalities), SDG 12 (Responsible consumption and production) and SDG 16 (Peace, justice and strong institutions), for which the SDG scoring of the investee company’s Operations is on the better top 5%. For SDGs 5, 8, 10 and 16, the selectivity criteria on investee company’s Operations is less restrictive as such SDGs are better addressed considering the way the investee company carries out its activities than the products and services offered by the investee company. It is also less restrictive for SDG 12 which can be addressed through the products and services or the way the investee company carries out its activities.

The quantitative SDG results are sourced from external data providers and can be overridden by a duly supported qualitative analysis performed by the Investment Manager. The assessment is done at entity level and an investee company that satisfies the contribution to UN SDG criteria outlined above is considered as sustainable.

**2. Integration of investee companies engaged in a solid Transition Pathway** consistently with the European Commission’s ambition to help fund the transition to a 1.5°C world - based on the framework developed by the Science Based Targets Initiative, considering investee companies which have validated Science-Based targets.

Those methodologies may evolve in the future to take into account any improvements for example in data availability and reliability, or any developments of, but not limited to, regulations or other external frameworks or initiatives.

The Financial Product is not taking into consideration the criteria of the EU Taxonomy environmental objectives.

No ESG reference benchmark has been designated for the purpose of attaining the sustainable investment objective promoted by this Financial Product. A broad market index, MSCI AC World Total Return Net (the “Benchmark”), has been designated by the Financial Product.

The initial investment universe of the Financial Product will be defined as composed of equities and equity-related securities of listed worldwide companies of any market capitalization (the “Investment Universe”).

### ***What sustainability indicators are used to measure the attainment of the sustainable investment objective of this financial product?***

The attainment of the sustainable investment objective promoted by the Financial Product and described above is measured with the following sustainability indicators:

- The weighted average Carbon Intensity of the Financial Product and that of its Benchmark, defined as the amount of GHG emissions (covering at least scope 1 and 2) per tons per millions \$ revenue released into the atmosphere, expressed in CO<sub>2</sub>e tons per millions \$ revenue.
- The weighted average Gender Diversity at Board Level, defined as the percentage of female board members at the investee companies held in the Financial Product and that of the Benchmark. It is provided by an external data provider.

The Financial Product outperforms its Benchmark on these sustainability indicators in order to promote the sustainable investment objective described above.

**Sustainability indicators**  
measure how the sustainable objectives of this financial product are attained.

## ***How do the sustainable investments not cause significant harm to any environmental or social sustainable investment objective?***

The application of the Do No Significant Harm (“DNSH”) Principle for the sustainable investments the Financial Product partially intends to make means that an investee company cannot qualify as sustainable if it meets any of the criteria listed below:

- The investee company causes harm along any of the SDGs when one of its SDG scores is below –5 based on a quantitative database from an external provider on a scale ranging from +10 corresponding to ‘significantly contributing’ to -10 corresponding to ‘significantly obstructing’, unless the quantitative score has been qualitatively overridden. This criterion is applied on the investee companies that are considered as sustainable.
- The investee company is in AXA IM’s sectorial and ESG standards ban lists (as described below), which consider among other factors the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights. This criterion is applied on the entire portfolio.
- The investee company has a CCC (or 1.43) or lower ESG scoring according to AXA IM ESG scoring methodology. The ESG score is based on ESG scoring from external data provider as primary inputs assessing data points across Environment, Social and Governance (ESG) dimensions. AXA IM analysts can complement with a fundamental and documented ESG analysis in case of lack of coverage or disagreement on the ESG scoring provided that it is approved by AXA IM dedicated internal governance body. This criterion is applied on the entire portfolio.

Indicators for principal adverse impacts on sustainability factors are considered, including through the application of AXA IM’s exclusion and stewardship policies.

### ***- How have the indicators for adverse impacts on sustainability factors been taken into account?***

The Financial Product takes into consideration Principal Adverse Impacts (“PAI”) indicators to ensure that the sustainable investments are not significantly harming any other sustainability objectives under SFDR.

Principal adverse impacts are mitigated through sectorial exclusion policies and AXA IM ESG standards (as described below) that are applied bindingly at all times by the Financial Product, as well as through the filters based on UN Sustainable Development Goals scoring. No specific threshold or comparison with reference value have been defined within the DNSH approach.

Where relevant, stewardship policies are an additional risk mitigation on principal adverse impacts through direct dialogue with investee companies on sustainability and governance issues. Through the engagement activities, the Financial Product will use its influence as an investor to encourage investee companies to mitigate environmental and social risks relevant to their sectors.

Voting at general meetings is also an important element of the dialogue with investee companies in order to foster sustainably long-term value of the investee companies in which the Financial Product invests and mitigates adverse impacts.

#### **Exclusion Policies:**

##### **- Environmental:**

Relevant AXA IM policies	PAI indicator
Climate Risk policy Ecosystem Protection & Deforestation policy	PAI 1: Green House Gas (GHG) emissions (scope 1, 2, & 3 starting 01/2023)
	PAI 2: Carbon Footprint
	PAI 3: GHG intensity of investee companies

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

Climate Risk policy	PAI 4: Exposure to Companies active in the fossil fuel sector
Climate Risk policy (engagement only)	PAI 5: Share of non-renewable energy consumption and production
Climate Risk policy (considering an expected correlation between GHG emissions and energy consumption) <sup>1</sup>	PAI 6: Energy consumption intensity per high impact climate sector
Ecosystem Protection & Deforestation policy	PAI 7: Activities negatively affecting biodiversity sensitive areas
SDG no significantly negative score	PAI 8: Emissions to water
SDG no significantly negative score	PAI 9: Hazardous waste and radioactive waste ratio

- **Social and Governance:**

Relevant AXA IM policies	PAI indicator
ESG standards policy: violation of international norms and standards	PAI 10: Violations of United Nations Global Compact Principles & OECD Guidelines for Multinational Enterprises
ESG standards policy: violation of international norms and standards (considering an expected correlation between companies non-compliant with international norms and standards and the lack of implementation by companies of processes and compliance mechanisms to monitor compliance with those standards) <sup>2</sup>	PAI 11: Lack of processes and compliance mechanisms to monitor compliance with United Nations Global Compact Principles & OECD Guidelines for Multinational Enterprises
SDG no significantly negative score	PAI 12: Unadjusted gender pay gap
Voting and Engagement policy with systematic voting criteria linked with board gender diversity	PAI 13: Board Gender diversity
Controversial weapons policy	PAI 14: Exposure to controversial weapons

**Filter based on UN SDGs:**

The Investment Manager also relies on the SDG pillar of its sustainable investment framework to monitor and take into account adverse impacts on those sustainability factors by excluding investee companies which have a SDG score under – 5 on any SDG (on a scale from + 10 corresponding to ‘significant contributing impact’ to – 10 corresponding to ‘significant obstructing impact’), unless the quantitative score has been qualitatively overridden following a duly documented analysis by AXA IM’s Core ESG & Impact Research. This approach enables AXA IM to ensure investee companies with the worst adverse impacts on any SDG are not considered as sustainable investments<sup>3</sup>.

<sup>1</sup> The approach used to mitigate the PAI indicators through this exclusion policy will evolve as the improvement in data availability and quality enables AXA IM to use the PAI more effectively. Not all high impact climate sectors are targeted by the exclusion policy for the time being.

<sup>2</sup> The approach used to mitigate the PAI indicators through this exclusion policy will evolve as the improvement in data availability and quality enables AXA IM to use the PAI more effectively.

<sup>3</sup> except for GSSBs (Green, Social or Sustainability Bonds)

Data availability and quality is lower for the time being on certain sustainability factors related to biodiversity as an example, which may impact the coverage for the following PAI indicators: emissions to water (PAI 8), hazardous and radioactive waste ratio (PAI 9) and unadjusted gender pay gap (PAI 12). Those sustainability factors are part of the 17 objectives targeted by the United Nations SDGs (more specifically they are covered through SDG 5 “Gender equality”, SDG 6 “Clean water and sanitation”, SDG 8 “Decent work and economic growth”, SDG 10 “Reduced inequalities”, SDG 12 “Responsible consumption and production” and SDG 14 “Life below water”) and AXA IM’s framework there enables to mitigate the worst impacts pending the increase on data availability and quality<sup>4</sup>.

- *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights?*

The Financial Product doesn’t invest in companies which cause, contribute or are linked to violations of international norms and standards in a material manner. Those standards focus on Human Rights, Society, Labour and Environment. AXA IM relies on an external provider’s screening framework and excludes any investee companies that have been assessed as “non-compliant” to United Nations Global Compact Principles, International Labour Organisation’s (ILO) Conventions, OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights (UNGPs).



### **Does this financial product consider principal adverse impacts on sustainability factors?**

☒ Yes

☐ No

Principal adverse impacts are considered with both (i) qualitative and (ii) quantitative approaches:

(i) Qualitative approach to consider principal adverse impacts is based on exclusion and, where relevant, stewardship policies. Exclusions policies applied as part of the application of (i) AXA IM Sectorial policies and AXA IM ESG standards; and (ii) exclusion criteria for Paris-aligned Benchmarks (PAB), as defined in the Benchmark Regulation Delegated Regulation (CDR (EU) 2020/1818) Article 12(1)(a)-(g), covering the most material sustainability factors risks and are applied bindingly on a continuous basis. PAB exclusions do not apply to green bonds that have been issued under the European Green Bonds Regulation (Regulation (EU) 2023/2631)(“EU Green Bonds Regulation”). For other types of green bonds not issued pursuant to the EU Green Bond Regulation, the PAB exclusions are applied on a look-through basis to the projects financed by these instruments, by relying on the AXA IM Green Bonds assessment framework.

Where relevant, stewardship policies are an additional risk mitigation on principal adverse impacts through direct dialogue with investee companies on sustainability and governance issues. Through its engagement activities, the Financial Product will use its influence as an investor to encourage investee companies to mitigate environmental and social risks relevant to their sectors.

Voting at general meetings is an important element of the dialogue with investee companies in order to foster sustainably long-term value of the investee companies in which the Financial Product invests and mitigates adverse impacts.

AXA IM also relies on the SDG pillar of its sustainable investment framework to consider principal adverse impacts on sustainability factors. This approach enables AXA IM to ensure investee companies with the worst adverse impacts on any SDG are not considered as sustainable investments, by excluding investee companies which have a SDG score under – 5 on any SDG (on a scale from + 10

<sup>4</sup> The approach used to mitigate the PAI indicators through this exclusion policy will evolve as the improvement in data availability and quality enables AXA IM to use the PAI more effectively. Not all high impact climate sectors are targeted by the exclusion policy for the time being.

corresponding to "significant contributing impact" to – 10 corresponding to "significant obstructing impact"), unless the quantitative score has been qualitatively overridden following a duly documented analysis by AXA IM Core ESG & Impact Research.

Through those exclusions, stewardship policies and the filter on sustainable investments based on UN SDG score, the Financial Product takes into consideration potential negative impact on those specific PAI indicators:

For Corporates:

	<b>Relevant AXA IM policies and regulatory requirements</b>	<b>PAI indicator</b>
<b>Climate and other environment related indicators</b>	AXA IM Climate Risk policy Paris-aligned Benchmarks exclusions CDR (EU) 2020/1818) Article 12(1)(a)-(g))	PAI 1: Green House Gas (GHG) emissions (scope 1, 2 & 3 starting 01/2023)
	AXA IM Ecosystem Protection & Deforestation policy	
	No significantly negative UN SDG score	
	AXA IM Climate Risk policy Paris-aligned Benchmarks exclusions CDR (EU) 2020/1818) Article 12(1)(a)-(g))	PAI 2: Carbon Footprint
	AXA IM Ecosystem Protection & Deforestation policy	
	No significantly negative UN SDG score	
	AXA IM Climate Risk policy Paris-aligned Benchmarks exclusions CDR (EU) 2020/1818) Article 12(1)(a)-(g))	PAI 3: GHG intensity of investee companies
	AXA IM Ecosystem Protection & Deforestation policy	
	No significantly negative UN SDG score	
	AXA IM Climate Risk policy Paris-aligned Benchmarks exclusions CDR (EU) 2020/1818) Article 12(1)(a)-(g))	PAI 4: Exposure to companies active in the fossil fuel sector
	No significantly negative UN SDG score	
	AXA IM Climate Risk policy (engagement only) Paris-aligned Benchmarks exclusions CDR (EU) 2020/1818) Article 12(1)(a)-(g))	PAI 5: Share of non-renewable energy consumption and production
	No significantly negative UN SDG score	
	AXA IM Climate Risk policy (considering an expected correlation between GHG	PAI 6: Energy consumption intensity per high impact climate sector



	emissions and energy consumption) <sup>5</sup> Paris-aligned Benchmarks exclusions CDR (EU) 2020/1818) Article 12(1)(a)-(g))	
	No significantly negative UN SDG score	
	AXA IM Ecosystem Protection & Deforestation policy	PAI 7: activities negatively affecting biodiversity sensitive area
	No significantly negative UN SDG score	
	No significantly negative UN SDG score	PAI 8: Emissions to water
	No significantly negative UN SDG score	PAI 9: Hazardous waste and radioactive waste ratio
<b>Social and employee respect for human rights, anti-corruption and anti- bribery matters</b>	AXA IM ESG standard policy / violation of international norms and standards Paris-aligned Benchmarks exclusions CDR (EU) 2020/1818) Article 12(1)(a)-(g))	PAI 10: Violation of United Nations Global Compact Principles & OECD Guidelines for Multinational Enterprises
	No significantly negative UN SDG score	
	AXA IM ESG standards policy: violation of international norms and standards (considering an expected correlation between companies non-compliant with international norms and standards and the lack of implementation by companies of processes and compliance mechanisms to monitor compliance with those standards) <sup>6</sup> Paris-aligned Benchmarks exclusions CDR (EU) 2020/1818) Article 12(1)(a)-(g))	PAI 11: Lack of processes and compliance mechanisms to monitor compliance with United Nations Global Compact Principles & OECD Guidelines for Multinational Enterprises
	No significantly negative UN SDG score	
	No significantly negative UN SDG score	PAI 12: Unadjusted gender pay gap
	AXA IM Voting and Engagement policy with systematic voting criteria linked with board gender diversity	PAI 13: Board Gender diversity
	No significantly negative UN SDG score	

<sup>5</sup> The approach used to mitigate the PAI indicators through this exclusion policy will evolve as the improvement in data availability and quality enables AXA IM to use the PAI more effectively. Not all high impact climate sectors are targeted by the exclusion policy for the time being.

<sup>6</sup> The approach used to mitigate the PAI indicators through this exclusion policy will evolve as the improvement in data availability and quality enables AXA IM to use the PAI more effectively.

	AXA IM Controversial weapons policy Paris-aligned Benchmarks exclusions CDR (EU) 2020/1818) Article 12(1)(a)-(g))	PAI 14: Exposure to controversial weapons
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For Sovereigns and Supranationals:

Social	Relevant AXA IM policies	PAI indicator
	AXA IM ESG standards with the exclusion of investee countries with severe social violations	
	AXA IM Compliance black-list based on international and EU sanctions	
		PAI 16: Sovereign investee countries subject to social violations

(ii) Principal adverse impacts are also considered quantitatively through the PAI indicators' measurement and reported annually in the SFDR annex in the periodic reporting. The objective is to provide transparency to investors on significant negative impact on other sustainability factors. AXA IM measures all the mandatory PAI indicators, plus additional optional environmental indicator, and additional optional social indicator.



## What investment strategy does this financial product follow?

The Financial Product seeks a Sustainable Investment objective to advance the United Nations Sustainable Development Goals ("SDGs") by investing into companies whose products and services are aligned with targets defined by one or more SDGs and that address climate change, protect biodiversity and/or foster social progress, and by applying an impact approach.

In line with the sustainable investment objective described above, the Financial Product seeks to invest in equities and equity-related securities of worldwide listed companies of any market capitalization that address climate change, protect biodiversity and foster social progress.

The Sub-Fund seeks to achieve its objectives by investing in sustainable companies that support in the long run the SDGs, including No Poverty (SDG 1), Zero Hunger (SDG 2), Good Health and Wellbeing (SDG 3), Quality Education (SDG 4), Gender Equality (SDG 5), Clean Water and Sanitation (SDG 6), Affordable and Clean Energy (SDG 7), Decent Work and Economic Growth (SDG 8), Industry, Innovation, and Infrastructure (SDG 9), Reduced Inequality (SDG 10), Sustainable Cities and Communities (SDG 11), Responsible Consumption and Production (SDG 12), Climate Action (SDG 13), Life Below Water (SDG 14), Life on Land (SDG 15) and Peace, Justice and Strong Institutions (SDG 16).

The Financial Product is also managed using a socially responsible investment (SRI) approach and the binding elements of the investment strategy described below.

The Financial Product also bindingly adopts at all times a responsible investment selectivity approach "Best-in-Universe". This selectivity approach consists in removing at least 25% of companies in the Investment Universe with the worst sustainability profile, based on a combination of (i) the sustainability-related exclusions applicable to the Financial Product, notably described above, and (ii) their Product & Services SDG score, to the exception of bonds and other debt securities issued by public issuers, cash held on an ancillary basis and solidarity assets. The threshold will be increased to 30% starting from 1 January 2026.

● ***What are the binding elements of the investment strategy used to select the investments to attain the sustainable investment objective?***

The investment strategy guides investment decisions based on factors such as investment objectives and risk tolerance.

The Financial Product bindingly invests at least 80% of net assets in Sustainable assets as defined by the application of the AXA IM sustainable investment framework based on the methodology which relies either on the contribution to the UN Sustainable Development Goals or on the fact that the investee company has defined Science-based targets which have been certified by the organisation. In addition, the Financial Product bindingly applies at all times the following elements described below.

1. The Investment Manager selects investments by applying an extra-financial approach based on the exclusion filters as described in AXA IM's Sectorial Exclusion and ESG Standards Policies. Those sectorial exclusions cover areas such as Controversial Weapons, Climate risks, Soft Commodities, Ecosystem Protection & Deforestation and Tobacco. The ESG Standards encompass specific exclusions on white phosphorus weapons and exclude investments in securities issued by companies in violation of international norms and standards such as the United Nations Global Compact Principles or the OECD Guidelines for Multinational Enterprises; as well as investments in securities issued by companies which are involved in severe ESG-related incidents and investments in securities issued by companies with a Low ESG quality (which has, as of the date of this document, ESG scoring below 1.43 (on a scale of 0 to 10) – such number being subject to adaptation). Instruments issued by countries where serious specific categories of violations of Human Rights are observed are also banned. More details on those policies are available under the following link: [Policies and reports | AXA IM Corporate \(axa-im.com\)](https://www.axa-im.com/en/policies-and-reports)

The Financial product applies Paris-aligned Benchmarks (PAB) exclusions, as defined in the Benchmark Regulation Delegated Regulation (CDR (EU) 2020/1818) Article 12(1)(a)-(g), except for green bonds that have been issued under the EU Green Bonds Regulation. For other types of green bonds not issued pursuant to the EU Green Bonds Regulations, the PAB exclusions are applied on a look-through basis to the projects financed by these instruments, by relying on the AXA IM Green Bonds assessment framework. Those exclusions cover controversial weapons, tobacco, United Nations Global Compact (UNGC) and OECD Guidelines for Multinational Enterprises, oil & gas and power generation. The controversial weapons, tobacco and United Nations Global Compact (UNGC) and OECD Guidelines for Multinational Enterprises exclusion requirements are already covered by AXA IM's Sectorial Exclusions and ESG Standards Policies.

The Financial Product applies AXA IM's impact approach for listed assets, according to which the Investment Manager applies an impact approach in the securities selection process, which considers five key pillars: intentionality (securities targeting a specific positive environmental or social outcome), materiality (investments in companies where the positive outcomes are of material significance to the beneficiaries, the company, or to both), additionality (decisions are judged on the likely ability to resolve unmet environmental or social needs), negative consideration (company's corporate practices or products and services may significantly undermine the positive impact it is generating elsewhere) and measurability (clear methodology and commitment to measuring and reporting the social performance of investments).

A minimum of 70% investments are made with the objective to generate a positive and measurable social or environmental impact alongside a financial return, as described in the document "AXA IM's listed impact investments approach" available on Sustainability Policies and Reports | AXA IM Corporate (axa-im.com).

2. The Financial Product applies a responsible investment selectivity approach Best-in-Universe on its Investment Universe that is bindingly applied at all times. This ESG selection approach consists in giving priority to the issuers best rated from a non-financial viewpoint irrespective of their sector of activity, and accepting sector biases, because the sectors which are considered more virtuous on the whole will be more heavily represented. The selectivity approach consists of removing at least 25% of companies in the Investment Universe with the worst sustainability profile, based on a combination of (i) the sustainability-related exclusions applicable to the Financial Product, notably described above, and (ii) their Product & Services SDG score, to the exception of bonds and other debt securities issued by public issuers, cash held on an ancillary basis and solidarity assets. The threshold will be increased to 30% starting from 1 January 2026.

AXA IM has implemented scoring methodologies to rate issuers (corporates, sovereigns, green, social and sustainability bonds) on ESG criteria. These methodologies allow to rate corporates and sovereign issuers and are based on quantitative data from several data providers as well as on qualitative analysis from internal and external research. The data used in these methodologies include carbon emissions, water stress, health and safety at work, supply chain labour standards, business ethics, corruption and instability.

The corporate and sovereign scoring methodologies rely on three pillars and several sub-factors that cover the most material risk factors encountered by issuers in the E, S and G fields. The frame of reference draws on fundamental principles, such as United Nations Global Compact, the OECD Guidelines for Multinational Enterprises, the International Labour Organisation's (ILO) Conventions, and other international principles and conventions that guide companies and governments activities in the field of sustainable development and social responsibility. The analysis is based on the most material ESG risks and opportunities previously identified for each sector and company, with 10 factors: Climate Change, Natural Capital, Pollution and Waste, Environmental Opportunities, Human Capital, Product Liability, Stakeholder Opposition, Social Opportunities, Corporate Governance and Corporate Behaviour. The final ESG score also incorporates the concept of industry dependent factors and deliberately differentiates between sectors, to overweight the most material factors for each industry. Materiality is not limited to impacts relating to an investee company's operations, it also includes the impacts on external stakeholders as well as the underlying reputational risk arising from a poor grasp of major ESG issues. In the corporate methodology, the severity of controversies is assessed and monitored on an ongoing basis to make sure that the most material risks are reflected in the final ESG score. The controversies with high severity will trigger large penalties on the sub-factor scores and ultimately on the ESG scores.

These ESG scores provide a standardized and holistic view on the performance of investee companies on ESG factors and enable to promote the sustainable investment objective of the Financial Product. AXA IM's ESG scoring methodology is further described on dedicated methodological document available on our website: [Sustainability Policies and Reports | AXA IM Corporate \(axa-im.com\)](https://www.axa-im.com/en/sustainability-policies-and-reports).

The Financial Product can invest up to 10% of its net assets, excluding bonds and other debt securities issued by public issuers, cash held on an ancillary basis and solidarity assets, in securities outside the Investment Universe, and on the condition that the issuer is eligible based on the selectivity criteria.

3. In addition, the investment strategy outperforms its Benchmark on at least two ESG Key Performance Indicators that are Carbon Intensity and Gender Diversity at Board Level at all times.

4. The following minimum coverage rates apply with the Financial Product portfolio (expressed as a minimum percentage of the net assets, excluding bonds and other debt securities issued by public issuers, cash held on an ancillary basis and Solidarity Assets): i) 90% for the ESG analysis, ii) 80% for the Carbon Intensity indicator ("KPI 1") and iii) 55% for the Gender Diversity indicator ("KPI 2"). The threshold will be increased to 90% for KPI 1 and 60% for KPI 2 by 31 December 2026.

Where the Financial Product invests in assets in the context of IPOs and/or spin-offs that should not exceed 10% of the NAV of the Financial Product, such investments are made under the condition that they are considered, by the Investment Manager, as being sustainable based on an initial qualitative analysis. Pending the disclosure of sustainability-related data by the issuer and a third-party analysis and scoring based on this data, our initial qualitative analysis will be periodically reviewed as determined in AXA IM Sustainable Investment Framework.

The ESG data (of which ESG score or SDG score wherever relevant) that are used in the investment process are based on methodologies which rely in part on third party data, and in some cases are internally developed. They are subjective and may change over time. Despite several initiatives, the lack of harmonized definitions can make ESG criteria heterogeneous. As such, the different investment strategies that use ESG criteria and ESG reporting are difficult to compare with each other. Strategies that incorporate ESG criteria and those that incorporate sustainable development criteria may use ESG data that appear similar but which should be distinguished because their calculation method may be different. AXA IM's ESG different methodologies described herein may evolve in the future to consider any improvements in data availability and reliability, or any developments of regulations or other external frameworks or initiatives - among others.

### ***What is the policy to assess good governance practices of the investee companies?***

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

The Financial Product doesn't invest in companies which cause, contribute or are linked to violations of international norms and standards in a material manner. Those standards focus on Human Rights, Society, Labor and Environment and as such, provide a methodology to help assess the good governance practices of an investee company, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance. AXA IM relies on an external provider's screening framework and excludes any investee companies that have been assessed as "non-compliant" to United Nations Global Compact Principles, International Labor Organisation's (ILO) Conventions, OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights (UNGPs).

In addition, ensuring good governance practices is also addressed by the engagement policies. AXA IM implemented a comprehensive active ownership strategy – engagement and voting – where AXA IM acts as stewards of investments made on the clients' behalf. AXA IM views engagement as a means for investors to influence, shape and shift investee companies' policies and practices to mitigate risks and secure long-term value. Governance practices of investee companies are engaged at first level by the portfolio managers and dedicated ESG analysts when meeting investee companies' management team. It is through the long-term investor status and in-depth knowledge of the investment targets that AXA IM feels legitimate to engage in a constructive but demanding dialogue with them.





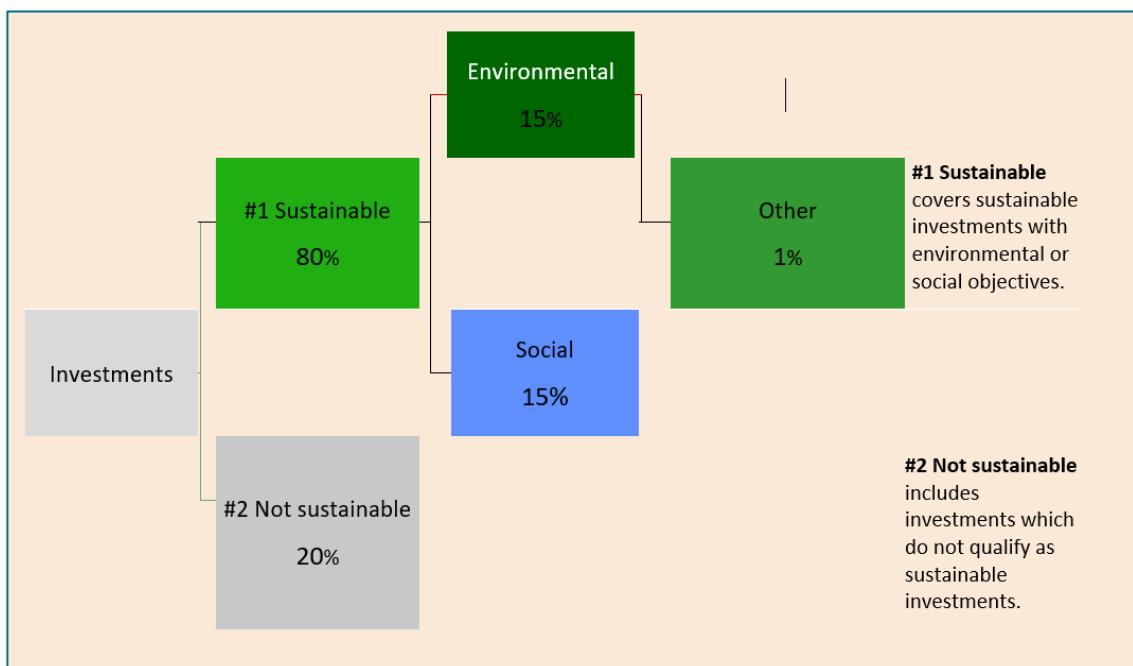
## What is the asset allocation and the minimum share of sustainable investments?

### Asset allocation

describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.



The Financial Product aims to plan its asset allocation as presented in the graph above. This planned asset allocation might deviate on a temporary basis.

The planned minimum proportion of the investments of the Financial Product used to meet the sustainable investment objective in accordance with the binding elements of the investment strategy is 80% of the Financial Product's Net Asset Value.

The remaining "Not Sustainable" investments will represent a maximum of 20% of the Financial Product's Net Asset Value. Remaining "Not Sustainable" investments are used for hedging, liquidity and efficient portfolio management of the Financial Product. Minimum environmental and social safeguards based on AXA IM exclusion policies are assessed and applied to all "Other" not sustainable assets.

### ● *How does the use of derivatives attain the sustainable investment objective?*

Not applicable.



### **To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?**

The Financial Product does not take into consideration the criteria of the EU Taxonomy environmental objectives. The Financial Product is not considering the 'do no significant harm' criteria of the EU Taxonomy.

● **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy?** <sup>7</sup>

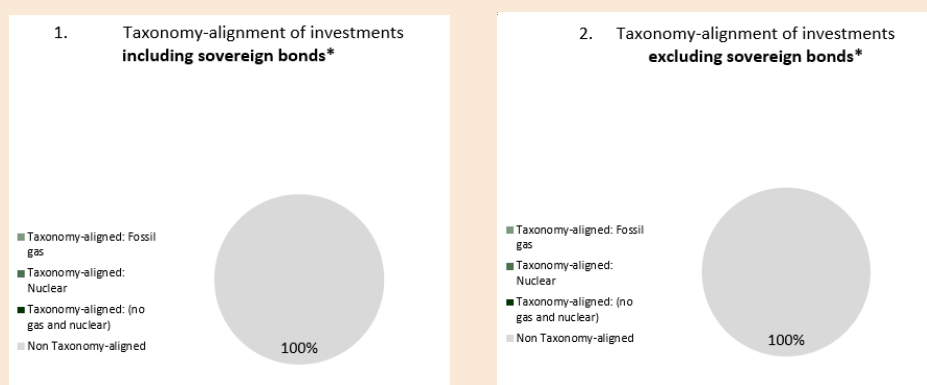
To comply with the EU taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

- ☐ Yes
- ☐ In fossil gas ☐ In nuclear energy
- ☒ No

The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy-alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy-alignment only in relation to the investments of the financial product other than sovereign bonds.



This graph represents 100% of the total investments.

\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures

● **What is the minimum share of investments in transitional and enabling activities?**

Not applicable.

are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.



**What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?**

The minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy is 1% of the Financial Product's Net Asset Value.



**What is the minimum share of sustainable investments with a social objective?**

The minimum share of sustainable investments with social objective is 15% of the Financial Product's Net Asset Value.

<sup>7</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objectives -see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.



## **What investments are included under “#2 Not Sustainable”, what is their purpose and are there any minimum environmental or social safeguards?**

The remaining “Not Sustainable” investments will represent a maximum of 20% of the Financial Product’s Net Asset Value. The “#2 Not Sustainable” assets may consist in:

- derivatives used in hedging strategies or used for liquidity management purpose, and
- cash and cash equivalent investments (being bank deposit, eligible money market instruments and money market funds) used for managing the liquidity of the Financial Product.

Minimum environmental and social safeguards are assessed and applied to other not sustainable assets. Paris-aligned Benchmark exclusions are applied to derivatives used for liquidity management purpose assets when providing exposure to an investee company, to the exception of short positions.



**Reference benchmarks** are indexes to measure whether the financial product attains the sustainable investment objective.

## **Is a specific index designated as a reference benchmark to meet the sustainable investment objective?**

Not applicable as the designated Benchmark is a broad market index which is not aligned with the sustainable investment objective of the Financial Product.



## **Where can I find more product specific information online?**

More information can be found on the AXA IM fund centre following that link: [Funds - AXA IM Global \(axa-im.com\)](https://axa-im.com/funds).

More details on AXA IM sustainable investment frameworks are available on [Sustainable Finance | SFDR | AXA IM Corporate \(axa-im.com\)](https://axa-im.com/sustainable-finance).

**Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852**

**Product name:** AXA World Funds - Sustainable Equity QI (the "Financial Product")

**Legal entity identifier:** 21380043259EJLUQF79

## Environmental and / or social characteristics

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Does this financial product have a sustainable investment objective?	
<input checked="" type="radio"/> <input checked="" type="radio"/> <input type="checkbox"/> YES	<input checked="" type="radio"/> <input type="radio"/> <input checked="" type="checkbox"/> NO
<input type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective</b> :_%  <input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy  <input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy  <input type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective</b> :_%	<input checked="" type="checkbox"/> It <b>promotes Environmental/Social (E/S) characteristics</b> and while it does not have as its objective a sustainable investment, it will have a minimum proportion of 50% of sustainable investments  <input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy  <input checked="" type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy  <input checked="" type="checkbox"/> with a social objective  <input type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b>



### What environmental and/or social characteristics are promoted by this financial product?

The environmental and social characteristics promoted by the Financial Product consist of investing in securities issued by:

- issuers considering their Carbon Intensity,
- issuers considering Gender Diversity at Board Level.

The Financial Product also promotes other specific environmental and social characteristics, mainly:

- Preservation of climate with exclusion policies on coal and unconventional oil & gas activities
- Protection of ecosystem and prevention of deforestation
- Better health with exclusion on tobacco
- Labour rights, society and human rights, business ethics, anti-corruption with exclusion on companies in violation of international norms and standards such as the United Nations Global Compact Principles, International Labour Organisation's (ILO) Conventions or the OECD Guidelines for Multinational Enterprises
- Protection of human rights avoiding investing in debt instruments issued by countries where the worst forms of human right violations are observed

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by this Financial Product. A broad market index, MSCI World Total Return Net Index (the "Benchmark"), has been designated by the Financial Product.

The initial investment universe of the Financial Product will be composed of securities that may or may not be constituents of the Benchmark and is composed large, mid and small capitalization securities listed in countries of the Benchmark (which covers developed markets). (the "Investment Universe").

● ***What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?***

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

The attainment of the environmental and social characteristics promoted by the Financial Product and described above is measured with the following sustainability indicators:

- The weighted average Carbon Intensity of the Financial Product and of its Benchmark, defined as the amount of GHG emissions (covering at least scope 1 and 2) per tons per millions \$ revenue released into the atmosphere, expressed in CO<sub>2</sub>e tons per millions \$ revenue.
- The weighted average Gender Diversity at Board Level of the Financial Product and of the Benchmark, defined as the percentage of female board members at the investee companies held in the portfolio. It is provided by an external data provider.

The Financial Product outperforms its Benchmark on these sustainability indicators in order to promote the environmental and/or social characteristics described above.

● ***What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?***

The Financial Product intends to partially invest in instruments qualifying as sustainable investments with various social and environmental objectives (without any limitation) by assessing the positive contribution of investee companies through at least one of the following dimensions:

**1. UN Sustainable Development Goals alignment (SDG)** of investee companies as reference framework, considering investee companies which contribute positively to at least one SDG either through the products and services they offer or the way they carry out their activities ("Operations"). To be considered as a sustainable asset, an investee company must satisfy the following criteria:

- a. the SDG scoring related to the "products and services" offered by the investee company is equal or above 2, corresponding to at least 20% of its revenues being derived from a sustainable activity, or
- b. using a Best-in-Universe approach consisting of giving priority to the investee companies best rated from a non-financial viewpoint irrespective of their sector of activity, the SDG scoring of the



investee company's Operations is on the better top 2.5%, except in consideration to the SDG 5 (Gender equality), SDG 8 (Decent work and economic growth), SDG 10 (Reduced inequalities), SDG 12 (Responsible consumption and production) and SDG 16 (Peace, justice and strong institutions), for which the SDG scoring of the investee company's Operations is on the better top 5%. For SDG 5, 8, 10 and 16 the selectivity criteria on investee company's Operations is less restrictive as such SDGs are better addressed considering the way the investee company carries out its activities than the products and services offered by the investee company. It is also less restrictive for SDG 12 which can be addressed through the products and services or the way the investee company carries out its activities.

The quantitative SDG results are sourced from external data providers and can be overridden by a duly supported qualitative analysis performed by the Investment Manager.

The assessment is done at entity level and an investee company that satisfies the contribution to UN SDG criteria outlined above is considered as sustainable.

**2. Integration of investee companies engaged in a solid Transition Pathway** consistently with the European Commission's ambition to help fund the transition to a 1.5°C world - based on the framework developed by the Science Based Targets Initiative, considering investee companies which have validated Science-Based targets.

Those methodologies may evolve in the future to take into account any improvements for example in data availability and reliability, or any developments of, but not limited to, regulations or other external frameworks or initiatives.

The Financial Product is not taking into consideration the criteria of the EU Taxonomy environmental objectives.

### ***How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?***

The application of the Do No Significant Harm ("DNSH") Principle for the sustainable investments the Financial Product partially intends to make means that an investee company cannot qualify as sustainable if it meets any of the criteria listed below:

- The investee company causes harm along any of the SDGs when one of its SDG scores is below -5 based on a quantitative database from an external provider on a scale ranging from +10 corresponding to 'significantly contributing' to -10 corresponding to 'significantly obstructing', unless the quantitative score has been qualitatively overridden. This criterion is applied on the investee companies that are considered as sustainable.
- The investee company is in AXA IM's sectorial and ESG standards ban lists (as described below), which consider among other factors the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights. This criterion is applied on the entire portfolio.
- The investee company has a CCC (or 1.43) or lower ESG scoring according to AXA IM ESG scoring methodology. The ESG score is based on ESG scoring from external data provider as primary inputs assessing data points across Environment, Social and Governance (ESG) dimensions. AXA IM analysts can complement with a fundamental and documented ESG analysis in case of lack of coverage or disagreement on the ESG scoring provided that it is approved by AXA IM dedicated internal governance body. This criterion is applied on the entire portfolio.

Indicators for principal adverse impacts on sustainability factors are considered, including through the application of AXA IM's exclusion and stewardship policies.

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

- *How have the indicators for adverse impacts on sustainability factors been taken into account?*

The Financial Product takes into consideration Principal Adverse Impacts (“PAI”) indicators to ensure that the sustainable investments are not harming significantly any other sustainability objectives under SFDR.

Principal adverse impacts are mitigated through sectorial exclusion policies and AXA IM ESG standards (as described below) that are applied bindingly at all times by the Financial Product, as well as through the filters based on UN Sustainable Development Goals scoring. No specific threshold or comparison with reference value have been defined within the DNSH approach.

Where relevant, stewardship policies are an additional risk mitigation on principal adverse impacts through direct dialogue with investee companies on sustainability and governance issues. Through the engagement activities, the Financial Product will use its influence as an investor to encourage investee companies to mitigate environmental and social risks relevant to their sectors.

Voting at general meetings is also an important element of the dialogue with investee companies in order to foster sustainably long-term value of the investee companies in which the Financial Product invests and mitigates adverse impacts.

**Exclusion Policies:**

- **Environmental:**

Relevant AXA IM policies	PAI indicator
Climate Risk policy Ecosystem Protection & Deforestation policy	PAI 1: Green House Gas (GHG) emissions (scope 1, 2, & 3 starting 01/2023)
	PAI 2: Carbon Footprint
	PAI 3: GHG intensity of investee companies
Climate Risk policy	PAI 4: Exposure to Companies active in the fossil fuel sector
Climate Risk policy (engagement only)	PAI 5: Share of non-renewable energy consumption and production
Climate Risk policy (considering an expected correlation between GHG emissions and energy consumption) <sup>1</sup>	PAI 6: Energy consumption intensity per high impact climate sector
Ecosystem Protection & Deforestation policy	PAI 7: Activities negatively affecting biodiversity sensitive areas

- **Social and Governance:**

Relevant AXA IM policies	PAI indicator
ESG standards policy: violation of international norms and standards	PAI 10: Violations of United Nations Global Compact Principles & OECD Guidelines for Multinational Enterprises
ESG standards policy: violation of international norms and standards (considering an expected correlation between companies non-compliant	PAI 11: Lack of processes and compliance mechanisms to monitor compliance with United Nations Global Compact Principles &

<sup>1</sup> The approach used to mitigate the PAI indicators through this exclusion policy will evolve as the improvement in data availability and quality enables AXA IM to use the PAI more effectively. Not all high impact climate sectors are targeted by the exclusion policy for the time being.

with international norms and standards and the lack of implementation by companies of processes and compliance mechanisms to monitor compliance with those standards) <sup>2</sup>	OECD Guidelines for Multinational Enterprises
Voting and Engagement policy with systematic voting criteria linked with board gender diversity	PAI 13: Board Gender diversity
Controversial weapons policy	PAI 14: Exposure to controversial weapons

#### **Filter based on UN SDGs:**

The Investment Manager also relies on the SDG pillar of its sustainable investment framework to monitor and take into account adverse impacts on those sustainability factors by excluding investee companies which have a SDG score under – 5 on any SDG (on a scale from + 10 corresponding to ‘significant contributing impact’ to – 10 corresponding to ‘significant obstructing impact’), unless the quantitative score has been qualitatively overridden following a duly documented analysis by AXA IM Core ESG & Impact Research. This approach enables AXA IM to ensure investee companies with the worst adverse impacts on any SDG are not considered as sustainable investments.

Data availability and quality is lower for the time being on certain sustainability factors related to biodiversity as an example, which may impact the coverage for the following PAI indicators: emissions to water (PAI 8), hazardous and radioactive waste ratio (PAI 9) and unadjusted gender pay gap (PAI 12). Those sustainability factors are part of the 17 objectives targeted by the United Nations SDGs (more specifically they are covered through SDG 5 “Gender equality”, SDG 6 “Clean water and sanitation”, SDG 8 “Decent work and economic growth”, SDG 10 “Reduced inequalities”, SDG 12 “Responsible consumption and production” and SDG 14 “Life below water”) and AXA IM’s framework there enables to mitigate the worst impacts pending the increase on data availability and quality.

#### **- How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:**

The Financial Product does not invest in companies which cause, contribute or are linked to violations of international norms and standards in a material manner. Those standards focus on Human Rights, Society, Labour and Environment and as such, provide a methodology to help assess the good governance practices of an issuer, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance. AXA IM relies on an external provider’s screening framework and excludes any investee companies that have been assessed as “non-compliant” to UN’s Global Compact Principles, International Labour Organisation’s (ILO) Conventions, OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights (UNGPs).

<sup>2</sup> The approach used to mitigate the PAI indicators through this exclusion policy will evolve as the improvement in data availability and quality enables AXA IM to use the PAI more effectively.

The EU Taxonomy sets out a “do no significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.

The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

Any other sustainable investments must also not significantly harm any environmental or social objectives.



### Does this financial product consider principal adverse impacts on sustainability factors?

☒ Yes

☐ No

Principal adverse impacts are considered with both (i) qualitative and (ii) quantitative approaches:

(i) Qualitative approach to consider principal adverse impacts is based on exclusion and, where relevant, stewardship policies. Exclusions applied as part of the application of (i) AXA IM Sectorial policies and AXA IM ESG standards; and (ii) exclusion criteria for Paris-aligned Benchmarks (PAB), as defined in the Benchmark Regulation Delegated Regulation (CDR (EU) 2020/1818) Article 12(1)(a)-(g), covering the most material sustainability factors’ risks and are applied bindingly on a continuous basis. PAB exclusions do not apply to green bonds that have been issued under the European Green Bonds Regulation (Regulation (EU) 2023/2631) (“EU Green Bonds Regulation”). For other types of green bonds not issued pursuant to the EU Green Bond Regulation, the PAB exclusions are applied on a look-through basis to the projects financed by these instruments, by relying on the AXA IM Green Bonds assessment framework.

Where relevant, stewardship policies are an additional risk mitigation on principal adverse impacts through direct dialogue with investee companies on sustainability and governance issues. Through its engagement activities, the Financial Product will use its influence as an investor to encourage investee companies to mitigate environmental and social risks relevant to their sectors.

Voting at general meetings is an important element of the dialogue with investee companies in order to foster sustainably long-term value of the investee companies in which the Financial Product invests and mitigates adverse impacts.

Through those exclusion and stewardship policies, the Financial Product takes into consideration potential negative impact on those specific PAI indicators:

For Corporates:

	Relevant AXA IM policies and regulatory requirements	PAI indicator
Climate and other environment related indicators	AXA IM Climate Risks policy Paris-Aligned Benchmarks exclusions CDR (EU) 2020/1818) Article 12(1)(a)-(g))	PAI 1: Green House Gas (GHG) emissions (scope 1, 2 & 3 starting 01/2023)
	AXA IM Ecosystem Protection & Deforestation policy	

	AXA IM Climate Risks policy Paris-Aligned Benchmarks exclusions CDR (EU) 2020/1818) Article 12(1)(a)-(g))	PAI 2: Carbon Footprint
	AXA IM Ecosystem protection & Deforestation policy	
	AXA IM Climate Risks policy Paris-Aligned Benchmarks exclusions CDR (EU) 2020/1818) Article 12(1)(a)-(g))	PAI 3: GHG intensity of investee companies
	AXA IM Ecosystem Protection & Deforestation policy	
	AXA IM Climate Risks policy Paris-Aligned Benchmarks exclusions CDR (EU) 2020/1818) Article 12(1)(a)-(g))	PAI 4: Exposure to companies active in the fossil fuel sector
	AXA IM Climate Risks policy (engagement only) Paris-Aligned Benchmarks exclusions CDR (EU) 2020/1818) Article 12(1)(a)-(g))	PAI 5: Share of non-renewable energy consumption and production
	AXA IM Climate Risks policy (considering an expected correlation between GHG emissions and energy consumption) <sup>3</sup> Paris-Aligned Benchmarks exclusions CDR (EU) 2020/1818) Article 12(1)(a)-(g))	PAI 6: Energy consumption intensity per high impact climate sector
<b>Social and employee respect for human rights, anti-corruption and anti-bribery matters</b>	AXA IM Ecosystem Protection & Deforestation policy	PAI 7: activities negatively affecting biodiversity sensitive area
	AXA IM ESG standard policy / violation of international norms and standards Paris-Aligned Benchmarks exclusions CDR (EU) 2020/1818) Article 12(1)(a)-(g))	PAI 10: Violation of United Nations Global Compact Principles & OECD Guidelines for Multinational Enterprises
	AXA IM ESG standards policy: violation of international norms and standards (considering an expected correlation between companies non-compliant with international norms and standards and the lack of implementation by companies of processes and compliance mechanisms to monitor compliance with those standards) <sup>4</sup> Paris-Aligned Benchmarks exclusions CDR (EU) 2020/1818) Article 12(1)(a)-(g))	PAI 11: Lack of processes and compliance mechanisms to monitor compliance with United Nations Global Compact Principles & OECD Guidelines for Multinational Enterprises

<sup>3</sup> The approach used to mitigate the PAI indicators through this exclusion policy will evolve as the improvement in data availability and quality enables AXA IM to use the PAI more effectively. Not all high impact climate sectors are targeted by the exclusion policy for the time being

<sup>4</sup> The approach used to mitigate the PAI indicators through this exclusion policy will evolve as the improvement in data availability and quality enables AXA IM to use the PAI more effectively.

	AXA IM Voting and Engagement policy with systematic voting criteria linked with board gender diversity	PAI 13: Board Gender diversity
	AXA IM Controversial weapons policy Paris-Aligned Benchmarks exclusions CDR (EU) 2020/1818) Article 12(1)(a)-(g))	PAI 14: Exposure to controversial weapons

For Sovereigns and Supranationals:

	Relevant AXA IM policies	PAI indicator
<b>Social</b>	AXA IM ESG standards with the exclusion of investee countries with severe social violations	PAI 16: Sovereign investee countries subject to social violations
	AXA IM Compliance black-list based on international and EU sanctions	

(ii) Principal adverse impacts are also considered quantitatively through the PAI indicators' measurement and reported annually in the SFDR annex in the periodic reporting. The objective is to provide transparency to investors on significant negative impact on other sustainability factors. AXA IM measures all the mandatory PAI indicators, plus additional optional environmental indicators and additional optional social indicators.



## What investment strategy does this financial product follow?

**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

The Investment Manager selects investments by applying an extra-financial approach based on the exclusion filters as described in (i) AXA IM's Sectorial Exclusion and ESG Standards Policies; and (ii) those applicable to Paris-aligned Benchmarks (PAB), as defined in the Benchmark Regulation Delegated Regulation (CDR (EU) 2020/1818) Article 12(1)(a)-(g). PAB exclusions do not apply to green bonds that have been issued under the EU Green Bonds Regulation. For other types of green bonds not issued pursuant to the EU Green Bonds Regulations, the PAB exclusions are applied on a look-through basis to the projects financed by these instruments, by relying on the AXA IM Green Bonds assessment framework.

The Financial Product promotes environmental and/or social characteristics by investing in securities of companies that have implemented good practices in terms of managing their environmental, governance and social ("ESG") practices. Those sectorial exclusions cover areas such as Controversial Weapons, Climate risks, Soft Commodities, Ecosystem Protection & Deforestation and Tobacco. The ESG Standards encompass specific exclusions on white phosphorus weapons and exclude investments in securities issued by companies in violation of international norms and standards such as the United Nations Global Compact Principles or the OECD Guidelines for Multinational Enterprises; as well as investments in securities issued by companies which are involved in severe ESG-related incidents and investments in securities issued by companies with a Low ESG quality (which has, as of the date of this document, ESG scoring below 1.43 (on a scale of 0 to 10) – such number being subject to adaptation). Instruments issued by countries where serious specific categories of violations of Human Rights are observed are also banned. More details on those policies are available under the following link: [Policies and reports | AXA IM Corporate \(axa-im.com\)](https://www.axa-im.com/en/policies-and-reports)

The PAB exclusions cover controversial weapons, tobacco, United Nations Global Compact (UNGC) and OECD Guidelines for Multinational Enterprises, oil & gas and power generation.

The Financial Product bindingly applies an ESG "scoring upgrade" approach on its Investment Universe, according to which the ESG scoring of the Financial Product is higher than the scoring of the Investment



Universe after removing at least the 25% worst value based on a combination of sustainability-related exclusions applicable to the Financial Product and the ESG scores, on a weighted average basis, excluding bonds and other debt securities issued by public issuers, cash held on an ancillary basis and Solidarity Assets. The threshold will be increased to 30% starting from 1 January 2026.

The Financial Product is also managed using a socially responsible investment (SRI) approach.

● ***What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?***

The Financial Product bindingly invests at least 50% of net assets in Sustainable assets as defined by the application of the AXA IM sustainable investment framework based on the methodology which relies either on the contribution to the UN Sustainable Development Goals or on the fact that the investee company has defined Science-based targets which have been certified by the organisation. In addition, the Financial Product bindingly applies at all times the following elements described below.

1. The Investment Manager bindingly applies at all times AXA IM's Sectorial Exclusion and ESG Standards Policies as a first exclusion filter.

The Sectorial Exclusions Policies exclude companies linked to Controversial Weapons, Climate risks, Soft Commodities (based on food and basic agricultural or the marine commodities), unsustainable practices relating to Ecosystem Protection & Deforestation and Tobacco.

The ESG Standards Policy (the “ESG Standards”) encompasses specific exclusions on white phosphorus weapons and excludes investments in securities issued by companies in violation of international norms and standards such as the United Nations Global Compact Principles or the OECD Guidelines for Multinational Enterprises; as well as investments in securities issued by companies which are involved in severe ESG-related incidents and investments in securities issued by companies with a Low ESG quality (which has, as of the date of this document, ESG scoring below 1.43 (on a scale of 0 to 10) – such number being subject to adaptation). Instruments issued by countries where serious specific categories of violations of Human Rights are observed are also banned.

More details on those policies are available under the following link: [Policies and reports | AXA IM Corporate \(axa-im.com\)](https://www.axa-im.com/en/policies-and-reports)

The Financial product applies Paris-aligned Benchmarks (PAB) exclusions, as defined in the Benchmark Regulation Delegated Regulation (CDR (EU) 2020/1818) Article 12(1)(a)-(g), except for green bonds that have been issued under the EU Green Bonds Regulation. For other types of green bonds not issued pursuant to the EU Green Bonds Regulation, the PAB exclusions are applied on a look-through basis to the projects financed by these instruments, by relying on the AXA IM Green Bonds assessment framework. Those exclusions cover controversial weapons, tobacco, United Nations Global Compact (UNGC) and OECD Guidelines for Multinational Enterprises, oil & gas and power generation. The controversial weapons, tobacco and United Nations Global Compact (UNGC) and OECD Guidelines for Multinational Enterprises exclusion requirements are already covered by AXA IM's Sectorial Exclusions and ESG Standards Policies.

2. The Financial Product bindingly applies at all times an ESG “scoring upgrade” approach, according to which the ESG scoring of the Financial Product is higher than the scoring of the Investment Universe after removing at least the 25% worst values based on a combination of sustainability-related exclusions applicable to the Financial Product, notably described above and the ESG scores, on a

weighted average basis, excluding bonds and other debt securities issued by public issuers, cash held on an ancillary basis and Solidarity Assets. The threshold will be increased to 30% starting from 1 January 2026.

AXA IM has implemented scoring methodologies to rate issuers (corporates, sovereigns, green, social and sustainability bonds) on ESG criteria. These methodologies allow to rate corporates and sovereign issuers and are based on quantitative data from several data providers as well as on qualitative analysis from internal and external research. The data used in these methodologies include carbon emissions, water stress, health and safety at work, supply chain labour standards, business ethics, corruption and instability.

The corporate and sovereign scoring methodologies rely on three pillars and several sub-factors that cover the most material risk factors encountered by issuers in the E, S and G fields. The frame of reference draws on fundamental principles, such as United Nations Global Compact Principles, the OECD Guidelines for Multinational Enterprises, the International Labour Organisation's (ILO) Conventions, and other international principles and conventions that guide companies and governments activities in the field of sustainable development and social responsibility. The analysis is based on the most material ESG risks and opportunities previously identified for each sector and company, with 10 factors: Climate Change, Natural Capital, Pollution and Waste, Environmental Opportunities, Human Capital, Product Liability, Stakeholder Opposition, Social Opportunities, Corporate Governance and Corporate Behaviour. The final ESG score also incorporates the concept of industry dependent factors and deliberately differentiates between sectors, to overweight the most material factors for each industry. Materiality is not limited to impacts relating to an investee company's operations, it also includes the impacts on external stakeholders as well as the underlying reputational risk arising from a poor grasp of major ESG issues. In the corporate methodology, the severity of controversies is assessed and monitored on an ongoing basis to make sure that the most material risks are reflected in the final ESG score. The controversies with high severity will trigger large penalties on the sub-factor scores and ultimately on the ESG scores.

These ESG scores provide a standardized and holistic view on the performance of investee companies on ESG factors and enable to both promote Environmental and/or Social characteristics of the Financial Product. AXA IM's ESG scoring methodology is further described on dedicated methodological document on our website: [Sustainability Policies and Reports | AXA IM Corporate \(axa-im.com\)](#).

3. In addition, the investment strategy outperforms its Benchmark on at least two ESG Key Performance Indicators that are Carbon Intensity and Gender Diversity at Board Level at all times.

4. The following minimum coverage rates apply with the Financial Product portfolio (expressed as a minimum percentage of net assets, excluding bonds and other debt securities issued by public issuers, cash held on an ancillary basis and Solidarity Assets): i) 90% for the ESG analysis, ii) 80% for the Carbon Intensity indicator ("KPI 1") and iii) 55% for the Gender Diversity at Board Level indicator ("KPI 2"). The threshold will be increased to 90% for KPI 1 and 60% for KPI 2 by 31 December 2026.

The ESG data (of which ESG score or SDG score wherever relevant) used in the investment process are based on ESG methodologies which rely in part on third party data, and in some cases are internally developed. They are subjective and may change over time. Despite several initiatives, the lack of harmonised definitions can make ESG criteria heterogeneous. As such, the different investment strategies that use ESG criteria and ESG reporting are difficult to compare with each other. Strategies that incorporate ESG criteria and those that incorporate sustainable development criteria may use ESG data that appear similar but which should be distinguished because their calculation method may be different. AXA IM's ESG different methodologies described herein may evolve in the future to take into

account any improvements in data availability and reliability, or any developments of regulations or other external frameworks or initiatives - among others.

● ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

There is no committed minimum rate to reduce the scope of the investments considered.

● ***What is the policy to assess good governance practices of the investee companies?***

**Good governance**  
practices include sound management structures, employee relations, remuneration of staff and tax compliance.

The Financial Product does not invest in companies which cause, contribute or are linked to violations of international norms and standards in a material manner. Those standards focus on Human Rights, Society, Labour and Environment and as such, provide a methodology to help assess the good governance practices of an investee company, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance. AXA IM relies on an external provider's screening framework and excludes any investee companies that have been assessed as "non-compliant" to United Nations Global Compact Principles, International Labour Organisation's (ILO) Conventions, OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights (UNGPs).

In addition, ensuring good governance practices is also addressed by the engagement policies. AXA IM implemented a comprehensive active ownership strategy – engagement and voting – where AXA IM acts as stewards of investments made on the clients' behalf. AXA IM views engagement as a means for investors to influence, shape and shift investee companies' policies and practices to mitigate risks and secure long-term value. Governance practices of investee companies are engaged at first level by the portfolio managers and dedicated ESG analysts when meeting investee companies' management team. It is through the long-term investor status and in-depth knowledge of the investment targets that AXA IM feels legitimate to engage in a constructive but demanding dialogue with them.



## What is the asset allocation planned for this financial product?

### Asset allocation

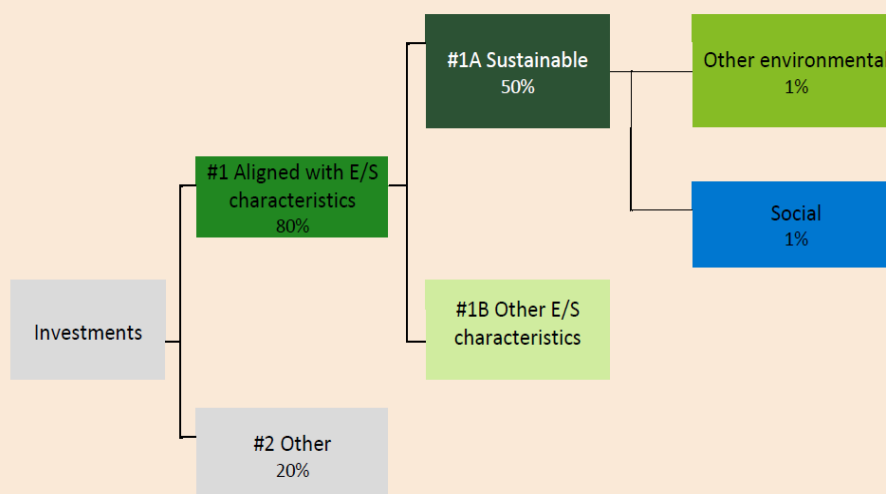
describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies

- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.

- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the Financial Product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments

The Financial Product aims to plan its asset allocation as presented in the graph above. This planned asset allocation might deviate on a temporary basis.

The planned minimum proportion of the investments of the Financial Product used to meet the environmental or social characteristics promoted by the Financial Product is 80% of the Financial Product's Net Asset Value.

The planned minimum proportion of sustainable investments of the Financial Product where that Financial Product commits to making sustainable investments is 50% of the Financial Product's Net Asset Value.

The remaining "Other" investments will represent a maximum of 20% of the Financial Product's Net Asset Value. Remaining "Other" investments are used for hedging, liquidity and portfolio management of the Financial Product. Minimum environmental or social safeguards based on AXA IM exclusion policies are assessed and applied on all "Other" assets except on (i) non-single name derivatives, (ii) on UCITS and/or UCIs managed by other management company and (iii) on cash and cash equivalent investments described above.

### **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

Not applicable.



## To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

The Financial Product does not take into consideration the criteria of the EU Taxonomy environmental objectives. The Financial Product is not considering the 'do no significant harm' criteria of the EU Taxonomy.

### Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy <sup>5</sup>?

☐

Yes

☐

In fossil gas

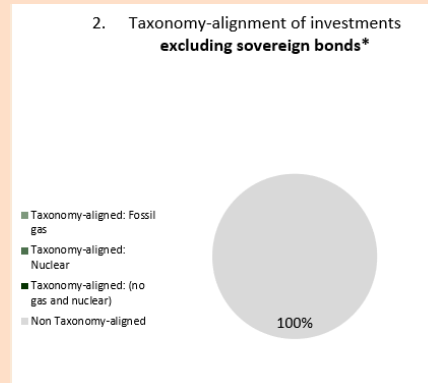
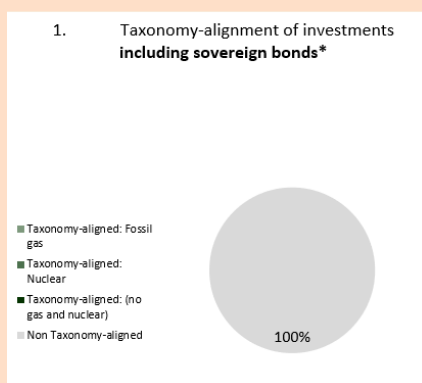
☐

In nuclear energy

☒

No

The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy-alignment in relation to all the investments of the Financial Product including sovereign bonds, while the second graph shows the Taxonomy-alignment only in relation to the investments of the Financial Product other than sovereign bonds.



This graph represents 100% of the total investments.

\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures

### What is the minimum share of investments in transitional and enabling activities?

Not applicable



### What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

The minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy is 1% of the Financial Product's Net Asset Value.

<sup>5</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objectives -see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

The proportion of investments between environmental sustainable assets not aligned with EU Taxonomy and social sustainable assets is freely allocated and adds up to at least the total sustainable investments.



### **What is the minimum share of socially sustainable investments?**

The minimum share of sustainable investments with social objectives is 1% of the Financial Product's Net Asset Value.

The proportion of investments between environmental sustainable assets not aligned with EU Taxonomy and social sustainable assets is freely allocated and adds up to at least the total sustainable investments.



### **What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?**

The remaining “Other” investments will represent a maximum of 20% of the Financial Product's Net Asset Value. The “other” assets may consist in:

- cash and cash equivalent investments, and
- other instruments eligible to the Financial Product, such assets may be transferable securities, derivatives investments and investment collective schemes that do not promote environmental or social characteristics and that are used to attain the financial objective of the Financial Product and/or for diversification. Those other instruments, when providing exposure to an investee company, to the exception of short positions, comply with PAB exclusions. When derivatives are used for hedging purpose, those assets do not promote environmental or social characteristics of the Financial Product nor comply with PAB exclusions.

Environmental or social safeguards are applied and assessed on all “other” assets except on (i) non-single name derivatives, (ii) on UCITS and/or UCIs managed by other management company and (iii) on cash and cash equivalent investments described above.



### **Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?**

Not applicable as the designated Benchmark is a broad market index which is not aligned with the environmental and/or social characteristics promoted by the Financial Product.



### **Where can I find more product specific information online?**

More information can be found on the AXA IM fund centre following that link: [Funds - AXA IM Global \(axa-im.com\)](https://www.axa-im.com).

More details on AXA IM sustainable investment frameworks are available on [Sustainable Finance | SFDR | AXA IM Corporate \(axa-im.com\)](https://www.axa-im.com).



**Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852**

**Product name:** AXA World Funds – US Growth (the “Financial Product”)

**Legal entity identifier:** 213800J7BKEI6B8FJO48

## Environmental and / or social characteristics

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Does this financial product have a sustainable investment objective?	
<input checked="" type="radio"/> <input checked="" type="radio"/> <input type="checkbox"/> YES	<input checked="" type="radio"/> <input type="radio"/> <input checked="" type="checkbox"/> NO
<input type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective</b> : __%	<input type="checkbox"/> It <b>promotes Environmental/Social (E/S) characteristics</b> and while it does not have as its objective a sustainable investment, it will have a minimum proportion of __% of sustainable investments
<input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy	<input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
<input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy	<input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
<input type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective</b> : __%	<input type="checkbox"/> with a social objective
	<input checked="" type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b>



### What environmental and/or social characteristics are promoted by this financial product?

The environmental and social characteristics promoted by the Financial Product consist of investing in securities of issuers considering their Carbon Intensity.

The Financial Product also promotes other specific environmental and social characteristics, mainly:

- Preservation of climate with exclusion policies on coal and unconventional oil & gas activities
- Protection of ecosystem and prevention of deforestation
- Better health with exclusion on tobacco
- Labour rights, society and human rights, business ethics, anti-corruption with exclusion on companies in violation of international norms and standards such as the United Nations Global

Compact Principles, International Labour Organisation's (ILO) Conventions or the OECD Guidelines for Multinational Enterprises

- Protection of human rights avoiding investing in debt instruments issued by countries where the worst forms of human right violations are observed

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by this Financial Product. A broad market index, S&P 500 Total Return Net benchmark index (the "Benchmark"), has been designated by the Financial Product.

The initial investment universe of the Financial Product will be defined as equities of all US domiciled companies (the "Investment Universe").

● ***What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?***

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

The attainment of the environmental and social characteristics promoted by the Financial Product and described above is measured with the following sustainability indicator:

- The weighted average Carbon Intensity of the Financial Product and that of its Benchmark, defined as the amount of GHG emissions (covering at least scope 1 and 2) per tons per millions \$ revenue released into the atmosphere, expressed in CO<sub>2</sub>e tons per millions \$ revenue.

● ***What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?***

Not applicable as the Financial Product has no objective of sustainable investments.

● ***How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?***

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

Not applicable as the Financial Product has no objective of sustainable investments.

The EU Taxonomy sets out a "do no significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.

The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

Any other sustainable investments must also not significantly harm any environmental or social objectives.



## Does this financial product consider principal adverse impacts on sustainability factors?

☒ Yes

☐ No

Principal adverse impacts are considered with both (i) qualitative and (ii) quantitative approaches:

(i) Qualitative approach to consider principal adverse impacts is based on exclusion and, where relevant, stewardship policies. Exclusions applied as part of the AXA IM's Sectorial policies and ESG Standards cover the most material sustainability factors' risks and are applied bindingly on a continuous basis.

Where relevant, stewardship policies are an additional risk mitigation on principal adverse impacts through direct dialogue with investee companies on sustainability and governance issues. Through its engagement activities, the Financial Product will use its influence as an investor to encourage investee companies to mitigate environmental and social risks relevant to their sectors.

Voting at general meetings is an important element of the dialogue with investee companies in order to foster sustainably long-term value of the investee companies in which the Financial Product invests and mitigates adverse impacts.

Through those exclusion and stewardship policies the Financial Product takes into consideration potential negative impact on those specific PAI indicators:

### For Corporates:

	Relevant AXA IM policies	PAI indicator
<b>Climate and other environment related indicators</b>	Climate Risk policy	PAI 1: Green House Gas (GHG) emissions (scope 1, 2 & 3 starting 01/2023)
	Ecosystem Protection & Deforestation policy	
	Climate Risk policy	PAI 2: Carbon Footprint
	Ecosystem Protection & Deforestation policy	
	Climate Risk policy	PAI 3: GHG intensity of investee companies
	Ecosystem Protection & Deforestation policy	
	Climate Risk policy	PAI 4: Exposure to companies active in the fossil fuel sector
	Climate Risk policy (engagement only)	PAI 5: Share of non-renewable energy consumption and production
	Climate Risk policy (considering an expected correlation between GHG emissions and energy consumption) <sup>1</sup>	PAI 6: Energy consumption intensity per high impact climate sector
	Ecosystem Protection & Deforestation policy	PAI 7: activities negatively affecting biodiversity sensitive area

<sup>1</sup> The approach used to mitigate the PAI indicators through this exclusion policy will evolve as the improvement in data availability and quality enables AXA IM to use the PAI more effectively. Not all high impact climate sectors are targeted by the exclusion policy for the time being.

<b>Social and employee respect for human rights, anti-corruption and anti-bribery matters</b>	ESG standard policy / violation of international norms and standards	PAI 10: Violation of United Nations Global Compact Principles & OECD Guidelines for Multinational Enterprises
	ESG standards policy: violation of international norms and standards (considering an expected correlation between companies non-compliant with international norms and standards and the lack of implementation by companies of processes and compliance mechanisms to monitor compliance with those standards) <sup>2</sup>	PAI 11: Lack of processes and compliance mechanisms to monitor compliance with United Nations Global Compact Principles & OECD Guidelines for Multinational Enterprises
	Voting and Engagement policy with systematic voting criteria linked with board gender diversity	PAI 13: Board Gender diversity
	Controversial weapons policy	PAI 14: Exposure to controversial weapons

For Sovereigns and Supranationals:

	Relevant AXA IM policies	PAI indicator
<b>Social</b>	AXA IM ESG standards with the exclusion of investee countries with severe social violations	PAI 16: Sovereign Investee countries subject to social violations
	AXA IM Compliance black-list based on international and EU sanctions	

(ii) Principal adverse impacts are also considered quantitatively through the PAI indicators' measurement and reported annually in the SFDR annex in the periodic reporting. The objective is to provide transparency to investors on significant negative impact on other sustainability factors. AXA IM measures all the mandatory PAI indicators, additional optional environmental indicator and additional optional social indicator.



## What investment strategy does this financial product follow?

The Investment Manager selects investments by applying an extra-financial approach based on the exclusion filters as described in AXA IM's Sectorial Exclusion and ESG Standards Policies. Those sectorial exclusions cover areas such as Controversial Weapons, Climate risks, Soft Commodities, Ecosystem Protection & Deforestation and Tobacco. The ESG Standards encompass specific exclusions on white phosphorus weapons and exclude investments in securities issued by companies in violation of international norms and standards such as the United Nations Global Compact Principles or the OECD Guidelines for Multinational Enterprises; as well as investments in securities issued by companies which are involved in severe ESG-related incidents and investments in securities issued by companies with a Low ESG quality (which has, as of the date of this document, ESG Score below 1.43 (on a scale of 0 to 10) – such number being subject to adaptation). Instruments issued by countries

<sup>2</sup> The approach used to mitigate the PAI indicators through this exclusion policy will evolve as the improvement in data availability and quality enables AXA IM to use the PAI more effectively.

where serious specific categories of violations of Human Rights are observed are also banned. More details on those policies are available under the following link: [Policies and reports | AXA IM Corporate \(axa-im.com\)](#)

● ***What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?***

The Financial Product bindingly applies at all times the following elements described below.

1. The Investment Manager bindingly applies at all times AXA IM's Sectorial Exclusion and ESG Standards Policies as a first exclusion filter. The Sectorial Exclusions Policies exclude companies linked to Controversial Weapons, Climate risks, Soft Commodities (based on food and basic agricultural or the marine commodities), unsustainable practices relating to Ecosystem Protection & Deforestation and Tobacco. The ESG Standards Policy (the "ESG Standards") encompasses specific exclusions on white phosphorus weapons and excludes investments in securities issued by companies in violation of international norms and standards such as the United Nations Global Compact Principles or the OECD Guidelines for Multinational Enterprises; as well as investments in securities issued by companies which are involved in severe ESG-related incidents and investments in securities issued by companies with a Low ESG quality (which has, as of the date of this document, ESG Score below 1.43 (on a scale of 0 to 10) – such number being subject to adaptation). Instruments issued by countries where serious specific categories of violations of Human Rights are observed are also banned. More details on those policies are available under the following link: [Policies and reports | AXA IM Corporate \(axa-im.com\)](#).

The ESG data (of which ESG score or SDG score wherever relevant) used in the investment process are based on ESG methodologies which rely in part on third party data, and in some cases are internally developed. They are subjective and may change over time. Despite several initiatives, the lack of harmonised definitions can make ESG criteria heterogeneous. As such, the different investment strategies that use ESG criteria and ESG reporting are difficult to compare with each other. Strategies that incorporate ESG criteria and those that incorporate sustainable development criteria may use ESG data that appear similar but which should be distinguished because their calculation method may be different. AXA IM's ESG different methodologies described herein may evolve in the future to take into account any improvements in data availability and reliability, or any developments of regulations or other external frameworks or initiatives - among others.

● ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

There is no committed minimum rate to reduce the scope of the investments considered.

● ***What is the policy to assess good governance practices of the investee companies?***

**Good governance**  
practices include sound management structures, employee relations, remuneration of staff and tax compliance.

The Financial Product does not invest in companies which cause, contribute or are linked to violations of international norms and standards in a material manner. Those standards focus on Human Rights, Society, Labour and Environment and as such, provide a methodology to help assess the good governance practices of an investee company, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance. AXA IM relies on an external provider's screening framework and excludes any investee companies that have been assessed as "non-compliant" to United Nations Global Compact Principles, International Labour Organisation's (ILO) Conventions, OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights (UNGPs).

In addition, ensuring good governance practices is also addressed by the engagement policies. AXA IM implemented a comprehensive active ownership strategy – engagement and voting – where AXA IM acts as stewards of investments made on the clients' behalf. AXA IM views engagement as a means for investors to influence, shape and shift investee companies' policies and practices to mitigate risks and secure long-term value. Governance practices of investee companies are engaged at first level by the portfolio managers and dedicated ESG analysts when meeting investee companies' management team. It is through the long-term investor status and in-depth knowledge of the investment targets that AXA IM feels legitimate to engage in a constructive but demanding dialogue with them.



## What is the asset allocation planned for this financial product?

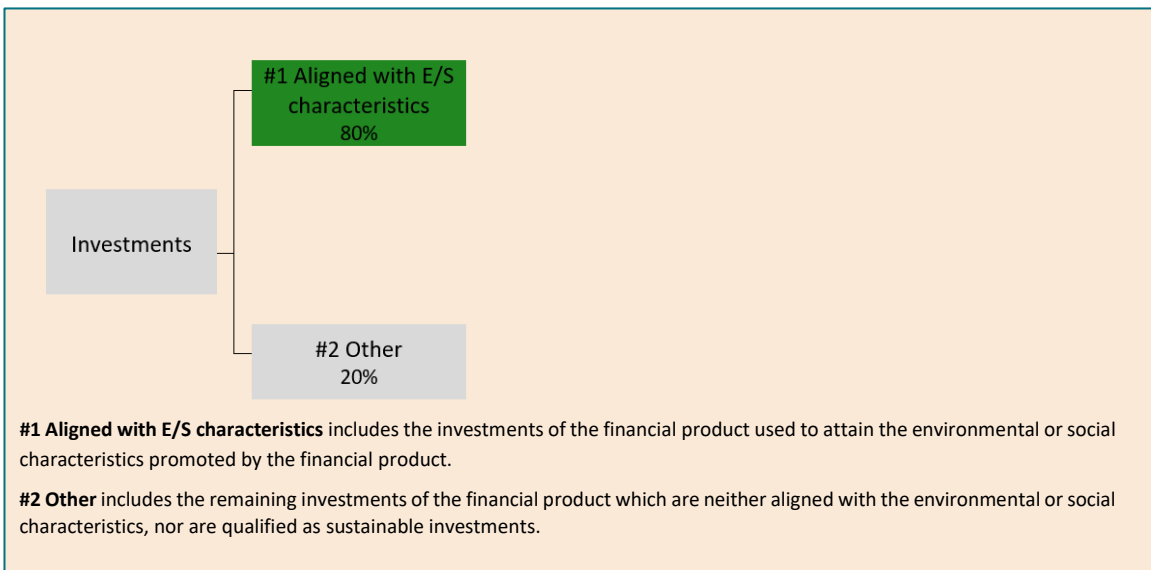
**Asset allocation** describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies

- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.

- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.



The Financial Product aims to plan its asset allocation as presented in the graph above. This planned asset allocation might deviate on a temporary basis.

The planned minimum proportion of the investments of the Financial Product used to meet the environmental or social characteristics promoted by the Financial Product is 80% of the Financial Product's Net Asset Value.

The remaining "Other" investments will represent a maximum of 20% of the Financial Product's Net Asset Value. Remaining "Other" investments are used for hedging, liquidity and portfolio management of the Financial Product. Minimum environmental or social safeguards based on AXA IM exclusion policies are assessed and applied on all "Other" assets except on (i) non-single name derivatives, (ii) on UCITS and/or UCIs managed by other management company and (iii) on cash and cash equivalent investments described above.

## How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?

Not applicable.





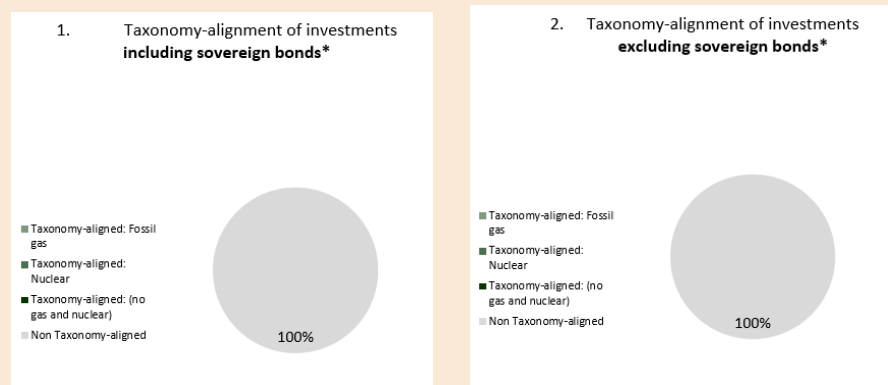
## To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

The Financial Product does not take into consideration the criteria of the EU Taxonomy environmental objectives. The Financial Product is not considering the 'do no significant harm' criteria of the EU Taxonomy.

### Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>3</sup>?

- ☐ Yes
- ☐ In fossil gas ☐ In nuclear energy
- ☒ No

The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy-alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy-alignment only in relation to the investments of the financial product other than sovereign bonds.



This graph represents 100% of the total investments.

\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures

### What is the minimum share of investments in transitional and enabling activities?

Not applicable

<sup>3</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objectives -see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.



are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.



### **What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?**

Not applicable.



### **What is the minimum share of socially sustainable investments?**

Not applicable.



### **What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?**

The remaining “Other” investments will represent a maximum of 20% of the Financial Product’s Net Asset Value. The “other” assets may consist in:

- cash and cash equivalent investments, and
- other instruments eligible to the Financial Product and that do not meet the Environmental and/or Social criteria described in this document. Such assets may be transferable securities, derivatives investments and investment collective schemes that do not promote environmental or social characteristics and that are used to attain the financial objective of the Financial Product and/or for diversification and/or hedging purposes.

Environmental or social safeguards are applied and assessed on all “other” assets except on (i) non-single name derivatives, (ii) on UCITS and/or UCIs managed by other management company and (iii) on cash and cash equivalent investments described above.



### **Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?**

Not applicable as the designated Benchmark is a broad market index which is not aligned with the environmental and/or social characteristics promoted by the Financial Product.



### **Where can I find more product specific information online?**

More information can be found on the AXA IM fund centre following that link: [Funds - AXA IM Global \(axa-im.com\)](https://axa-im.com).

More details on AXA IM sustainable investment frameworks are available on [Sustainable Finance | SFDR | AXA IM Corporate \(axa-im.com\)](https://axa-im.com)

**Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852**

**Product name:** AXA World Funds - Asian Short Duration Bonds (the "Financial Product")

**Legal entity identifier:** 213800LZNVBI2B851392

## Environmental and / or social characteristics

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

### Does this financial product have a sustainable investment objective?

☒ ☒ ☐ YES

☒ ☐ ☒ NO

☐ It will make a minimum of **sustainable investments with an environmental objective**: \_%

☐ in economic activities that qualify as environmentally sustainable under the EU Taxonomy

☐ in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

☐ It will make a minimum of **sustainable investments with a social objective**: \_%

☐ It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of \_\_ % of sustainable investments

☐ with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy

☐ with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

☐ with a social objective

☒ It promotes E/S characteristics, but **will not make any sustainable investments**



### What environmental and/or social characteristics are promoted by this financial product?

The environmental and social characteristics promoted by the Financial Product consist of investing in securities issued by issuers considering the ESG score further described below.

The Financial Product promotes environmental and/or social characteristics by investing in securities that have implemented good practices in terms of managing their environmental, governance and social ("ESG") practices.

The Financial Product also promotes other specific environmental and social characteristics, mainly:

- Preservation of climate with exclusion policies on coal and unconventional oil & gas activities
- Protection of ecosystem and prevention of deforestation
- Better health with exclusion on tobacco
- Labour rights, society and human rights, business ethics, anti-corruption with exclusion on companies in violation of international norms and standards such as the United Nations Global Compact Principles, International Labour Organisation's (ILO) Conventions or the OECD Guidelines for Multinational Enterprises
- Protection of human rights avoiding investing in debt instruments issued by countries where the worst forms of human right violations are observed

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by this Financial Product. A broad market index, J.P. Morgan Asia Credit Markets (JACI) index (the "Comparison Portfolio"), has been designated by the Financial Product.

The initial investment universe of the Financial Product will be defined as the Comparison Portfolio (the "Investment Universe").

● ***What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?***

The attainment of the environmental and social characteristics promoted by the Financial Product and described above is measured with the following sustainability indicator:

- The weighted average ESG score of the Financial Product and that of the parallel Comparison Portfolio, which is based on ESG scoring from external data provider as primary inputs assessing data points across Environment, Social and Governance (ESG) dimensions. AXA IM analysts can complement with a fundamental and documented ESG analysis in case of lack of coverage or disagreement on the ESG scoring provided that it is approved by AXA IM dedicated internal governance body.

● ***What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?***

Not applicable as the Financial Product has no objective of sustainable investments.

● ***How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?***

Not applicable as the Financial Product has no objective of sustainable investments.

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

The EU Taxonomy sets out a “do no significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.

The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

Any other sustainable investments must also not significantly harm any environmental or social objectives.



## Does this financial product consider principal adverse impacts on sustainability factors?

☒ Yes

☐ No

Principal adverse impacts are considered with both (i) qualitative and (ii) quantitative approaches:

(i) Qualitative approach to consider principal adverse impacts is based on exclusion and, where relevant, stewardship policies. Exclusions applied as part of the application of AXA IM's Sectorial policies and ESG Standards cover the most material sustainability factors' risks and are applied bindingly on a continuous basis.

Through those exclusion policies the Financial Product takes into consideration potential negative impact on those specific PAI indicators:

For Corporates:

	Relevant AXA IM policies	PAI indicator
Climate and other environment related indicators	Climate Risk policy	PAI 1: Green House Gas (GHG) emissions (scope 1, 2 & 3 starting 01/2023)
	Ecosystem Protection & Deforestation policy	
	Climate Risk policy	PAI 2: Carbon Footprint
	Ecosystem Protection & Deforestation policy	
	Climate Risk policy	PAI 3: GHG intensity of investee companies
	Ecosystem Protection & Deforestation policy	
	Climate Risk policy	PAI 4: Exposure to companies active in the fossil fuel sector
	Climate Risk policy (considering an expected correlation between GHG emissions and energy consumption) <sup>1</sup>	PAI 6: Energy consumption intensity per high impact climate sector
	Ecosystem Protection & Deforestation policy	PAI 7: activities negatively affecting biodiversity sensitive area

<sup>1</sup> The approach used to mitigate the PAI indicators through this exclusion policy will evolve as the improvement in data availability and quality enables AXA IM to use the PAI more effectively. Not all high impact climate sectors are targeted by the exclusion policy for the time being.

<b>Social and employee respect for human rights, anti-corruption and anti-bribery matters</b>	ESG standard policy / violation of international norms and standards	PAI 10: Violation of United Nations Global Compact Principles & OECD Guidelines for Multinational Enterprises
	ESG standards policy: violation of international norms and standards (considering an expected correlation between companies non-compliant with international norms and standards and the lack of implementation by companies of processes and compliance mechanisms to monitor compliance with those standards) <sup>2</sup>	PAI 11: Lack of processes and compliance mechanisms to monitor compliance with United Nations Global Compact Principles & OECD Guidelines for Multinational Enterprises
	Controversial weapons policy	PAI 14: Exposure to controversial weapons

For Sovereigns and Supranationals:

<b>Social</b>	<b>Relevant AXA IM policies</b>	<b>PAI indicator</b>
	AXA IM ESG standards with the exclusion of investee countries with severe social violations	
	AXA IM Compliance black-list based on international and EU sanctions	

(ii) Principal adverse impacts are also considered quantitatively through the PAI indicators' measurement and reported annually in the SFDR annex in the periodic reporting. The objective is to provide transparency to investors on significant negative impact on other sustainability factors. AXA IM measures all the mandatory PAI indicators, plus additional optional environmental indicator and additional optional social indicator.



## What investment strategy does this financial product follow?

The investment strategy guides investment decisions based on factors such as investment objectives and risk tolerance.

The Investment Manager selects investments by applying an extra-financial approach based on the exclusion filters as described in AXA IM's Sectorial Exclusion and ESG Standards Policies.

Those sectorial exclusions cover areas such as Controversial Weapons, Climate risks, Soft Commodities, Ecosystem Protection & Deforestation and Tobacco. The ESG Standards encompass specific exclusions on white phosphorus weapons and exclude investments in securities issued by companies in violation of international norms and standards such as the United Nations Global Compact Principles or the OECD Guidelines for Multinational Enterprises; as well as investments in securities issued by companies which are involved in severe ESG-related incidents and investments in securities issued by companies with a Low ESG quality (which has, as of the date of this document, ESG scoring below 1.43 (on a scale of 0 to 10) – such number being subject to adaptation). Instruments issued by countries where serious specific categories of violations of Human Rights are observed are also banned. More details on those policies are available under the following link: [Policies and reports | AXA IM Corporate \(axa-im.com\)](https://www.axa-im.com/en/policies-and-reports)

<sup>2</sup> The approach used to mitigate the PAI indicators through this exclusion policy will evolve as the improvement in data availability and quality enables AXA IM to use the PAI more effectively.



The ESG criteria contribute to, but are not a determining factor in, the Investment Manager's decision making.

In addition, the Financial Product always outperforms the Investment Universe in terms of ESG scores calculated on a weighted average basis. ESG score is based on ESG scoring from external data provider as primary inputs assessing data points across Environment, Social and Governance (ESG) dimensions that include the environmental and social characteristics described above and promoted by the Financial Product. AXA IM ESG analysts can complement with a fundamental and documented ESG analysis in case of lack of coverage or disagreement on the ESG scores provided that it is approved by AXA IM dedicated internal governance body.

● ***What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?***

The Financial Product bindingly applies at all times the following elements described below.

1. The Investment Manager bindingly applies at all times AXA IM's Sectorial Exclusion and ESG Standards Policies as a first exclusion filter. The Sectorial Exclusions Policies exclude companies linked to Controversial Weapons, Climate risks, Soft Commodities (based on food and basic agricultural or the marine commodities), unsustainable practices relating to, Ecosystem Protection & Deforestation and Tobacco. The ESG Standards Policy (the "ESG Standards") encompasses specific exclusions on white phosphorus weapons and excludes investments in securities issued by companies in violation of international norms and standards such as the United Nations Global Compact Principles or the OECD Guidelines for Multinational Enterprises; as well as investments in securities issued by companies which are involved in severe ESG-related incidents and investments in securities issued by companies with a Low ESG quality (which has, as of the date of this document, ESG scoring below 1.43 (on a scale of 0 to 10) – such number being subject to adaptation). Instruments issued by countries where serious specific categories of violations of Human Rights are observed are also banned. More details on those policies are available under the following link: [Policies and reports | AXA IM Corporate \(axa-im.com\)](#)

2. In addition, the Financial Product always outperforms the Investment Universe in terms of ESG scores calculated on a weighted average basis. ESG score is based on ESG scoring from external data provider as primary inputs assessing data points across Environment, Social and Governance (ESG) dimensions that include the environmental and social characteristics described above and promoted by the Financial Product. AXA IM ESG analysts can complement with a fundamental and documented ESG analysis in case of lack of coverage or disagreement on the ESG scoring provided that it is approved by AXA IM dedicated internal governance body.

AXA IM has implemented scoring methodologies to rate issuers (corporates, sovereigns, green, social and sustainability bonds) on ESG criteria. These methodologies allow to rate corporates and sovereign issuers and are based on quantitative data from several data providers as well as on qualitative analysis from internal and external research. The data used in these methodologies include carbon emissions, water stress, health and safety at work, supply chain labour standards, business ethics, corruption and instability.

The corporate and sovereign scoring methodologies rely on three pillars and several sub-factors that cover the most material risk factors encountered by issuers in the E, S and G fields. The frame of reference draws on fundamental principles, such as United Nations Global Compact Principles, the OECD Guidelines for Multinational Enterprises, the International Labour Organisation's (ILO) Conventions, and other international principles and conventions that guide companies and

governments activities in the field of sustainable development and social responsibility. The analysis is based on the most material ESG risks and opportunities previously identified for each sector and company, with 10 factors: Climate Change, Natural Capital, Pollution and Waste, Environmental Opportunities, Human Capital, Product Liability, Stakeholder Opposition, Social Opportunities, Corporate Governance and Corporate Behaviour. The final ESG score also incorporates the concept of industry dependent factors and deliberately differentiates between sectors, to overweight the most material factors for each industry. Materiality is not limited to impacts relating to an investee company's operations, it also includes the impacts on external stakeholders as well as the underlying reputational risk arising from a poor grasp of major ESG issues. In the corporate methodology, the severity of controversies is assessed and monitored on an ongoing basis to make sure that the most material risks are reflected in the final ESG score. The controversies with high severity will trigger large penalties on the sub-factor scores and ultimately on the ESG scores.

These ESG scores provide a standardized and holistic view on the performance of investee companies on ESG factors and enable to both promote Environmental and/or Social characteristics of the Financial Product.

3. The ESG analysis minimum coverage rate of the Financial Product's net assets is 75%.

The ESG data (of which ESG score or SDG score wherever relevant) used in the investment process are based on ESG methodologies which rely in part on third party data, and in some cases are internally developed. They are subjective and may change over time. Despite several initiatives, the lack of harmonised definitions can make ESG criteria heterogeneous. As such, the different investment strategies that use ESG criteria and ESG reporting are difficult to compare with each other. Strategies that incorporate ESG criteria and those that incorporate sustainable development criteria may use ESG data that appear similar but which should be distinguished because their calculation method may be different. AXA IM's ESG different methodologies described herein may evolve in the future to take into account any improvements in data availability and reliability, or any developments of regulations or other external frameworks or initiatives - among others.

● ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

There is no committed minimum rate to reduce the scope of the investments considered.

● ***What is the policy to assess good governance practices of the investee companies?***

**Good governance**  
practices include sound management structures, employee relations, remuneration of staff and tax compliance.

The Financial Product does not invest in companies which cause, contribute or are linked to violations of international norms and standards in a material manner. Those standards focus on Human Rights, Society, Labour and Environment and as such, provide a methodology to help assess the good governance practices of an investee company, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance. AXA IM relies on an external provider's screening framework and excludes any investee companies that have been assessed as "non-compliant" to United Nations Global Compact Principles, International Labour Organisation's (ILO) Conventions, OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights (UNGPs).



## What is the asset allocation planned for this financial product?

### Asset allocation

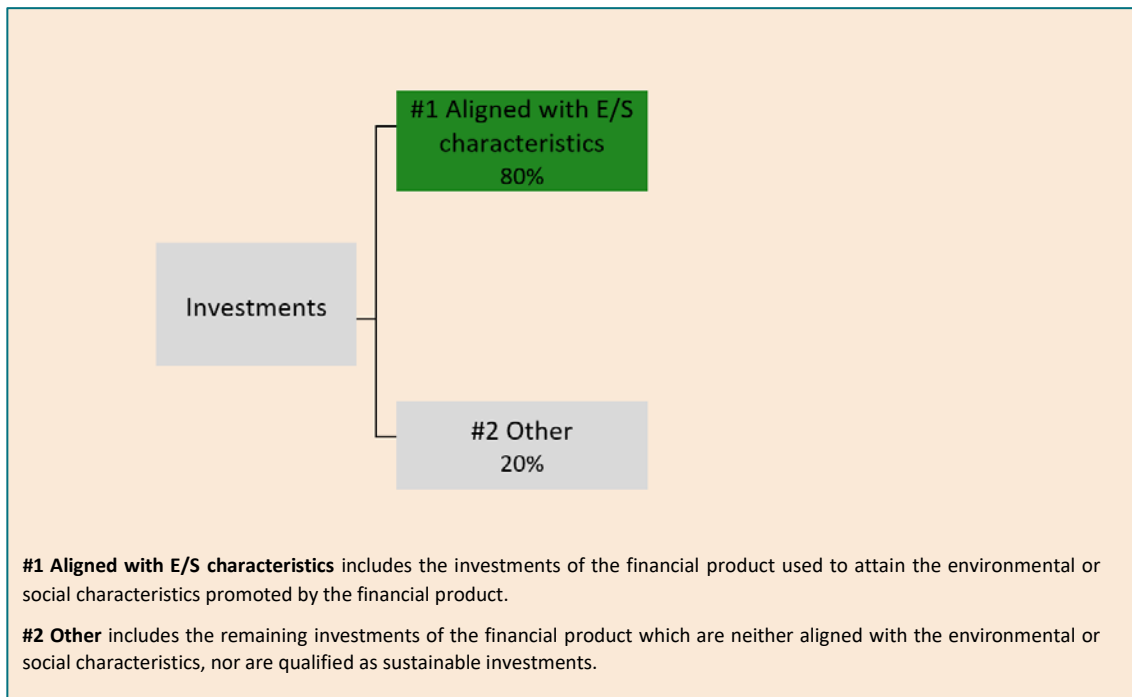
describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies

- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.

- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.



The Financial Product aims to plan its asset allocation as presented in the graph above. This planned asset allocation might deviate on a temporary basis.

The planned minimum proportion of the investments of the Financial Product used to meet the environmental or social characteristics promoted by the Financial Product is 80% of the Financial Product's Net Asset Value.

The remaining "Other" investments will represent a maximum of 20% of the Financial Product's Net Asset Value. Remaining "Other" investments are used for hedging, liquidity and portfolio management of the Financial Product. Minimum environmental or social safeguards based on AXA IM exclusion policies are assessed and applied on all "Other" assets except on (i) non-single name derivatives, (ii) on UCITS and/or UCIs managed by other management company and (iii) on cash and cash equivalent investments described above.

### ● ***How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?***

Single names derivatives used for investment purpose apply exclusion policies and thus contribute to attain the environmental or social characteristics promoted by the Financial Product.



### **To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?**

The Financial Product does not take into consideration the criteria of the EU Taxonomy environmental objectives. The Financial Product is not considering the 'do no significant harm' criteria of the EU Taxonomy.

● **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>3</sup>?**

To comply with the EU taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

☐ Yes

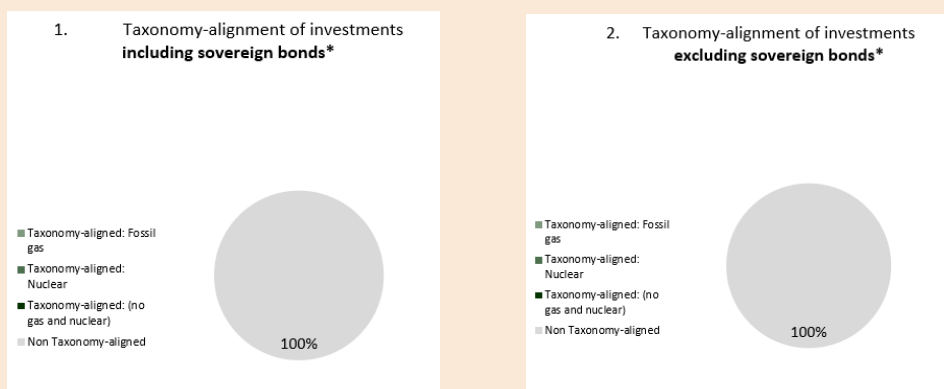
☐ In fossil gas ☐ In nuclear energy

☒ No

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy-alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy-alignment only in relation to the investments of the financial product other than sovereign bonds.



This graph represents 100% of the total investments.\*\*

\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

\*\* The proportion of total investments shown in this graph is purely indicative and may vary.

● **What is the minimum share of investments in transitional and enabling activities?**

Not applicable

are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.



**What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?**

Not applicable



**What is the minimum share of socially sustainable investments?**

Not applicable

<sup>3</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objectives -see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.



## **What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?**

The remaining “Other” investments will represent a maximum of 20% of the Financial Product’s Net Asset Value. The “other” assets may consist in:

- cash and cash equivalent investments, and
- other instruments eligible to the Financial Product and that do not meet the Environmental and/or Social criteria described in this document. Such assets may be transferable securities, derivatives investments and investment collective schemes that do not promote environmental or social characteristics and that are used to attain the financial objective of the Financial Product and/or for diversification and/or hedging purposes.

Environmental or social safeguards are applied and assessed on all “other” assets except on (i) non-single name derivatives, (ii) on UCITS and/or UCIs managed by other management company and (iii) on cash and cash equivalent investments described above.



## **Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?**

Not applicable as the designated index composing the Comparison Portfolio is a broad market index which is not aligned with the environmental and/or social characteristics promoted by the Financial Product.



## **Where can I find more product specific information online?**

More information can be found on the AXA IM fund centre following that link: [Funds - AXA IM Global \(axa-im.com\)](https://www.axa-im.com/funds).

More details on AXA IM sustainable investment frameworks are available on [Sustainable Finance | SFDR | AXA IM Corporate \(axa-im.com\)](https://www.axa-im.com/sustainable-finance).

**Pre-contractual disclosure for the financial products referred to in Article 8,  
paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first  
paragraph, of Regulation (EU) 2020/852**

**Product name:** AXA World Funds - Global High Yield Bonds  
(the "Financial Product")

**Legal entity identifier:** 213800ZD79HTOMZACH58

## Environmental and / or social characteristics

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Does this financial product have a sustainable investment objective?	
<input checked="" type="radio"/> <input checked="" type="radio"/> <input type="checkbox"/> YES	<input checked="" type="radio"/> <input type="radio"/> <input checked="" type="checkbox"/> NO
<input type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective</b> : __%	<input type="checkbox"/> It <b>promotes Environmental/Social (E/S) characteristics</b> and while it does not have as its objective a sustainable investment, it will have a minimum proportion of __ % of sustainable investments
<input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy	<input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
<input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy	<input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
<input type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective</b> : __%	<input type="checkbox"/> with a social objective
	<input checked="" type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b>



### What environmental and/or social characteristics are promoted by this financial product?

The environmental and social characteristics promoted by the Financial Product consist of investing in securities issued by issuers considering the ESG score further described below.

The Financial Product promotes environmental and/or social characteristics by investing in securities that have implemented good practices in terms of managing their environmental, governance and social ("ESG") practices.



The Financial Product also promotes other specific environmental and social characteristics, mainly:

- Preservation of climate with exclusion policies on coal and unconventional oil & gas activities
- Protection of ecosystem and prevention of deforestation
- Better health with exclusion on tobacco
- Labour rights, society and human rights, business ethics, anti-corruption with exclusion on companies in violation of international norms and standards such as the United Nations Global Compact Principles, International Labour Organisation's (ILO) Conventions or the OECD Guidelines for Multinational Enterprises
- Protection of human rights avoiding investing in debt instruments issued by countries where the worst forms of human right violations are observed

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by this Financial Product. A broad market index, ICE BofA Developed Markets High Yield Constrained benchmark index (the "Benchmark"), has been designated by the Financial Product.

The initial investment universe of the Financial Product will be defined as the Benchmark (the "Investment Universe").

● ***What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?***

The attainment of the environmental and social characteristics promoted by the Financial Product and described above is measured with the following sustainability indicator:

- The weighted average ESG score of the Financial Product and that of the Benchmark, which is based on ESG scoring from external data provider as primary inputs assessing data points across Environment, Social and Governance (ESG) dimensions. AXA IM analysts can complement with a fundamental and documented ESG analysis in case of lack of coverage or disagreement on the ESG scoring provided that it is approved by AXA IM dedicated internal governance body.

● ***What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?***

Not applicable as the Financial Product has no objective of sustainable investments.

● ***How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?***

Not applicable as the Financial Product has no objective of sustainable investments.

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

*The EU Taxonomy sets out a “do no significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

*The “do no significant harm” principle applies only to those investments underlying the Financial Product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this Financial Product do not take into account the EU criteria for environmentally sustainable economic activities.*

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*



### Does this financial product consider principal adverse impacts on sustainability factors?

☒ Yes

☐ No

Principal adverse impacts are considered with both (i) qualitative and (ii) quantitative approaches:

(i) Qualitative approach to consider principal adverse impacts is based on exclusion and, where relevant, stewardship policies. Exclusions applied as part of the application of AXA IM's Sectorial policies and ESG Standards cover the most material sustainability factors' risks and are applied bindingly on a continuous basis.

Where relevant, stewardship policies are an additional risk mitigation on principal adverse impacts through direct dialogue with investee companies on sustainability and governance issues. Through its engagement activities, the Financial Product will use its influence as an investor to encourage investee companies to mitigate environmental and social risks relevant to their sectors.

Voting at general meetings is an important element of the dialogue with investee companies in order to foster sustainably long-term value of the investee companies in which the Financial Product invests and mitigates adverse impacts.

Through those exclusion and stewardship policies the Financial Product takes into consideration potential negative impact on those specific PAI indicators:

For Corporates:

	Relevant AXA IM policies	PAI indicator
Climate and other environment related indicators	Climate Risk policy	PAI 1: Green House Gas (GHG) emissions (scope 1, 2 & 3 starting 01/2023)
	Ecosystem Protection & Deforestation policy	
	Climate Risk policy	PAI 2: Carbon Footprint
	Ecosystem Protection & Deforestation policy	
	Climate Risk policy	PAI 3: GHG intensity of investee companies
	Ecosystem Protection & Deforestation policy	

	Climate Risk policy	PAI 4: Exposure to companies active in the fossil fuel sector
	Climate Risk policy (engagement only)	PAI 5: Share of non-renewable energy consumption and production
	Climate Risk policy (considering an expected correlation between GHG emissions and energy consumption) <sup>1</sup>	PAI 6: Energy consumption intensity per high impact climate sector
	Ecosystem Protection & Deforestation policy	PAI 7: activities negatively affecting biodiversity sensitive area
<b>Social and employee respect for human rights, anti-corruption and anti-bribery matters</b>	ESG standard policy / violation of international norms and standards	PAI 10: Violation of United Nations Global Compact Principles & OECD Guidelines for Multinational Enterprises
	ESG standards policy: violation of international norms and standards (considering an expected correlation between companies non-compliant with international norms and standards and the lack of implementation by companies of processes and compliance mechanisms to monitor compliance with those standards) <sup>2</sup>	PAI 11: Lack of processes and compliance mechanisms to monitor compliance with United Nations Global Compact Principles & OECD Guidelines for Multinational Enterprises
	Voting and Engagement policy with systematic voting criteria linked with board gender diversity	PAI 13: Board Gender diversity
	Controversial weapons policy	PAI 14: Exposure to controversial weapons

For Sovereigns and Supranationals:

	Relevant AXA IM policies	PAI indicator
<b>Social</b>	AXA IM ESG standards with the exclusion of investee countries with severe social violations	PAI 16: Sovereign investee countries subject to social violations
	AXA IM Compliance black-list based on international and EU sanctions	

(ii) Principal adverse impacts are also considered quantitatively through the PAI indicators' measurement and reported annually in the SFDR annex in the periodic reporting. The objective is to provide transparency to investors on significant negative impact on other sustainability factors. AXA IM measures all the mandatory PAI indicators, plus additional optional environmental indicator and additional optional social indicator.

<sup>1</sup> The approach used to mitigate the PAI indicators through this exclusion policy will evolve as the improvement in data availability and quality enables AXA IM to use the PAI more effectively. Not all high impact climate sectors are targeted by the exclusion policy for the time being.

<sup>2</sup> The approach used to mitigate the PAI indicators through this exclusion policy will evolve as the improvement in data availability and quality enables AXA IM to use the PAI more effectively.



**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

## What investment strategy does this financial product follow?

The Investment Manager selects investments by applying an extra-financial approach based on the exclusion filters as described in AXA IM's Sectorial Exclusion and ESG Standards Policies. Those sectorial exclusions cover areas such as Controversial Weapons, Climate risks, Soft Commodities, Ecosystem Protection & Deforestation and Tobacco. The ESG Standards encompass specific exclusions on white phosphorus weapons and exclude investments in securities issued by companies in violation of international norms and standards such as the United Nations Global Compact Principles or the OECD Guidelines for Multinational Enterprises; as well as investments in securities issued by companies which are involved in severe ESG-related incidents and investments in securities issued by companies with a Low ESG quality (which has, as of the date of this document, ESG scoring below 1.43 (on a scale of 0 to 10) – such number being subject to adaptation). Instruments issued by countries where serious specific categories of violations of Human Rights are observed are also banned. More details on those policies are available under the following link: [Policies and reports | AXA IM Corporate \(axa-im.com\)](https://www.axa-im.com/en/policies-and-reports)

The ESG criteria contribute to, but are not a determining factor in, the Investment Manager's decision making.

In addition, the Financial Product always outperforms the Investment Universe in terms of ESG scores calculated on a weighted average basis. ESG score is based on ESG scoring from external data provider as primary inputs assessing data points across Environment, Social and Governance (ESG) dimensions that include the environmental and social characteristics described above and promoted by the Financial Product. AXA IM ESG analysts can complement with a fundamental and documented ESG analysis in case of lack of coverage or disagreement on the ESG scores provided that it is approved by AXA IM dedicated internal governance body.

### ● ***What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?***

The Financial Product bindingly applies at all times the following elements described below.

1. The Investment Manager bindingly applies at all times AXA IM's Sectorial Exclusion and ESG Standards Policies as a first exclusion filter. The Sectorial Exclusions Policies exclude companies linked to Controversial Weapons, Climate risks, Soft Commodities (based on food and basic agricultural or the marine commodities), unsustainable practices relating to Ecosystem Protection & Deforestation and Tobacco. The ESG Standards Policy (the “ESG Standards”) encompasses specific exclusions on white phosphorus weapons and excludes investments in securities issued by companies in violation of international norms and standards such as the United Nations Global Compact Principles or the OECD Guidelines for Multinational Enterprises; as well as investments in securities issued by companies which are involved in severe ESG-related incidents and investments in securities issued by companies with a Low ESG quality (which has, as of the date of this document, ESG scoring below 1.43 (on a scale of 0 to 10) – such number being subject to adaptation). Instruments issued by countries where serious specific categories of violations of Human Rights are observed are also banned. More details on those policies are available under the following link: [Policies and reports | AXA IM Corporate \(axa-im.com\)](https://www.axa-im.com/en/policies-and-reports)

2. In addition, the Financial Product always outperforms the Investment Universe in terms of ESG scores calculated on a weighted average basis. ESG score is based on ESG scoring from external data provider as primary inputs assessing data points across Environment, Social and Governance (ESG) dimensions that include the environmental and social characteristics described above and promoted by the Financial Product. AXA IM ESG analysts can complement with a fundamental and documented ESG analysis in case of lack of coverage or disagreement on the ESG scoring provided that it is approved by AXA IM dedicated internal governance body.

AXA IM has implemented scoring methodologies to rate issuers (corporates, sovereigns, green, social and sustainability bonds) on ESG criteria. These methodologies allow to rate corporates and sovereign issuers and are based on quantitative data from several data providers as well as on qualitative analysis from internal and external research. The data used in these methodologies include carbon emissions, water stress, health and safety at work, supply chain labour standards, business ethics, corruption and instability.

The corporate and sovereign scoring methodologies rely on three pillars and several sub-factors that cover the most material risk factors encountered by issuers in the E, S and G fields. The frame of reference draws on fundamental principles, such as United Nations Global Compact Principles, the OECD Guidelines for Multinational Enterprises, the International Labour Organisation's (ILO) Conventions, and other international principles and conventions that guide companies and governments activities in the field of sustainable development and social responsibility. The analysis is based on the most material ESG risks and opportunities previously identified for each sector and company, with 10 factors: Climate Change, Natural Capital, Pollution and Waste, Environmental Opportunities, Human Capital, Product Liability, Stakeholder Opposition, Social Opportunities, Corporate Governance and Corporate Behaviour. The final ESG score also incorporates the concept of industry dependent factors and deliberately differentiates between sectors, to overweight the most material factors for each industry. Materiality is not limited to impacts relating to an investee company's operations, it also includes the impacts on external stakeholders as well as the underlying reputational risk arising from a poor grasp of major ESG issues. In the corporate methodology, the severity of controversies is assessed and monitored on an ongoing basis to make sure that the most material risks are reflected in the final ESG score. The controversies with high severity will trigger large penalties on the sub-factor scores and ultimately on the ESG scores.

These ESG scores provide a standardized and holistic view on the performance of investee companies on ESG factors and enable to both promote Environmental and/or Social characteristics of the Financial Product.

3. The ESG analysis minimum coverage rate within the portfolio is 75% of the net assets of the Financial Product, with the exception of bonds and other debt securities issued by public issuers, cash held on an ancillary basis, and Solidarity Assets.

The ESG data (of which ESG score or SDG score wherever relevant) used in the investment process are based on ESG methodologies which rely in part on third party data, and in some cases are internally developed. They are subjective and may change over time. Despite several initiatives, the lack of harmonized definitions can make ESG criteria heterogeneous. As such, the different investment strategies that use ESG criteria and ESG reporting are difficult to compare with each other. Strategies that incorporate ESG criteria and those that incorporate sustainable development criteria may use ESG data that appear similar but which should be distinguished because their calculation method may be different. AXA IM's ESG different methodologies described herein may evolve in the future to take into account any improvements in data availability and reliability, or any developments of regulations or other external frameworks or initiatives - among others.

● ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

There is no committed minimum rate to reduce the scope of the investments considered.

## ● What is the policy to assess good governance practices of the investee companies?

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

The Financial Product does not invest in companies which cause, contribute or are linked to violations of international norms and standards in a material manner. Those standards focus on Human Rights, Society, Labour and Environment and as such, provide a methodology to help assess the good governance practices of an investee company, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance. AXA IM relies on an external provider's screening framework and excludes any investee companies that have been assessed as "non-compliant" to United Nations Global Compact Principles, International Labour Organisation's (ILO) Conventions, OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights (UNGPs).

In addition, ensuring good governance practices is also addressed by the engagement policies. AXA IM implemented a comprehensive active ownership strategy – engagement and voting – where AXA IM acts as stewards of investments made on the clients' behalf. AXA IM views engagement as a means for investors to influence, shape and shift investee companies' policies and practices to mitigate risks and secure long-term value. Governance practices of investee companies are engaged at first level by the portfolio managers and dedicated ESG analysts when meeting investee companies' management team. It is through the long-term investor status and in-depth knowledge of the investment targets that AXA IM feels legitimate to engage in a constructive but demanding dialogue with them.



## What is the asset allocation planned for this financial product?

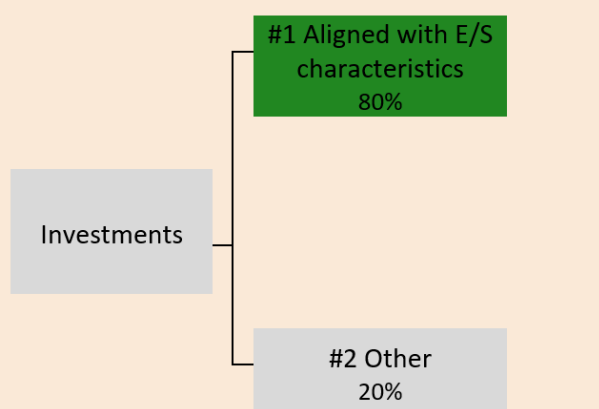
**Asset allocation** describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies

- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.

- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The Financial Product aims to plan its asset allocation as presented in the graph above. This planned asset allocation might deviate on a temporary basis.

The planned minimum proportion of the investments of the Financial Product used to meet the environmental or social characteristics promoted by the Financial Product is 80% of the Financial Product's Net Asset Value.

The remaining "Other" investments will represent a maximum of 20% of the Financial Product's Net Asset Value. Remaining "Other" investments are used for hedging, liquidity and portfolio management of the Financial Product. Minimum environmental or social safeguards based on AXA IM exclusion policies are assessed and applied on all "Other" assets except on (i) non-single name derivatives, (ii)



on UCITS and/or UCIs managed by other management company and (iii) on cash and cash equivalent investments described above.

● **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

Single names derivatives used for investment purpose apply exclusion policies and thus contribute to attain the environmental or social characteristics promoted by the Financial Product.



**To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?**

The Financial Product does not take into consideration the criteria of the EU Taxonomy environmental objectives. The Financial Product is not considering the “do no significant harm” criteria of the EU Taxonomy.

● **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy <sup>3</sup>?**

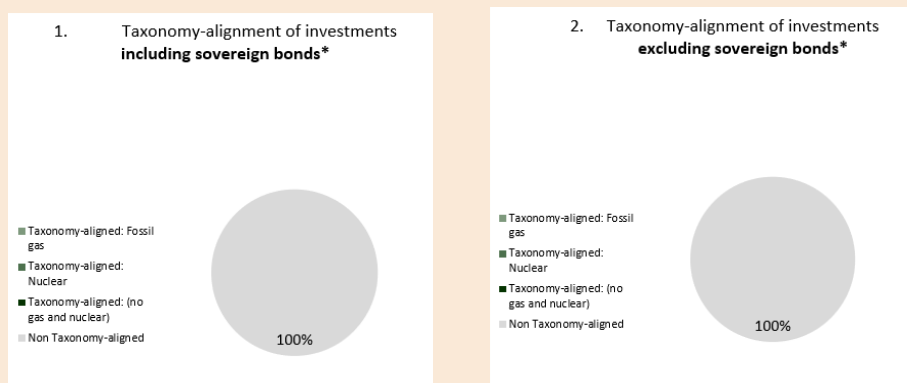
- ☐ Yes
- ☐ In fossil gas ☐ In nuclear energy
- ☒ No

To comply with the EU taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy-alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy-alignment only in relation to the investments of the financial product other than sovereign bonds.



This graph represents 100% of the total investments.\*\*

\* For the purpose of these graphs, ‘sovereign bonds’ consist of all sovereign exposures.

\*\* The proportion of total investments shown in this graph is purely indicative and may vary.

<sup>3</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change (“climate change mitigation”) and do not significantly harm any EU Taxonomy objectives -see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

● **What is the minimum share of investments in transitional and enabling activities?**

Not applicable



**What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?**

Not applicable



**What is the minimum share of socially sustainable investments?**

Not applicable



**What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?**

The remaining “Other” investments will represent a maximum of 20% of the Financial Product’s Net Asset Value. The “other” assets may consist in:

- cash and cash equivalent investments, and
- other instruments eligible to the Financial Product and that do not meet the Environmental and/or Social criteria described in this document. Such assets may be transferable securities, derivatives investments and investment collective schemes that do not promote environmental or social characteristics and that are used to attain the financial objective of the Financial Product and/or for diversification and/or hedging purposes.

Environmental or social safeguards are applied and assessed on all “other” assets except on (i) non-single name derivatives, (ii) on UCITS and/or UCIs managed by other management company and (iii) on cash and cash equivalent investments described above.



**Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?**

Not applicable as the designated Benchmark is a broad market index which is not aligned with the environmental and/or social characteristics promoted by the Financial Product.



**Where can I find more product specific information online?**

More information can be found on the AXA IM fund centre following that link: [Funds - AXA IM Global \(axa-im.com\)](https://www.axa-im.com).

More details on AXA IM Net Zero and sustainable investment frameworks are available on [Sustainable Finance | SFDR | AXA IM Corporate \(axa-im.com\)](https://www.axa-im.com).

**Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852**

**Product name:** AXA World Funds - Global Inflation Bonds  
(the "Financial Product")

**Legal entity identifier:** 213800B3CJEB7BTR4711

## Environmental and / or social characteristics

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Does this financial product have a sustainable investment objective?	
<input checked="" type="radio"/> <input checked="" type="radio"/> <input type="checkbox"/> YES	<input checked="" type="radio"/> <input type="radio"/> <input checked="" type="checkbox"/> NO
<input type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective</b> : _%  <input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy  <input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy  <input type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective</b> : _%	<input type="checkbox"/> It <b>promotes Environmental/Social (E/S) characteristics</b> and while it does not have as its objective a sustainable investment, it will have a minimum proportion of __ % of sustainable investments  <input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy  <input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy  <input type="checkbox"/> with a social objective  <input checked="" type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b>



### What environmental and/or social characteristics are promoted by this financial product?

The environmental and social characteristics promoted by the Financial Product consist of investing in securities issued by issuers considering the ESG score further described below.

The Financial Product promotes environmental and/or social characteristics by investing in securities that have implemented good practices in terms of managing their environmental, governance and social ("ESG") practices.

The Financial Product also promotes other specific environmental and social characteristics, mainly:

- Preservation of climate with exclusion policies on coal and unconventional oil & gas activities
- Protection of ecosystem and prevention of deforestation
- Better health with exclusion on tobacco
- Labour rights, society and human rights, business ethics, anti-corruption with exclusion on companies in violation of international norms and standards such as the United Nations Global Compact Principles, International Labour Organisation's (ILO) Conventions or the OECD Guidelines for Multinational Enterprises
- Protection of human rights avoiding investing in debt instruments issued by countries where the worst forms of human right violations are observed

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by this Financial Product. A broad market index, Bloomberg World Inflation-Linked Hedged EUR benchmark index (the "Benchmark"), has been designated by the Financial Product.

The initial investment universe of the Financial Product will be defined as the Benchmark (the "Investment Universe").

● ***What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?***

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

The attainment of the environmental and social characteristics promoted by the Financial Product and described above is measured with the following sustainability indicator:

- The weighted average ESG score of the Financial Product and that of the Benchmark which is based on ESG scoring from external data provider as primary inputs assessing data points across Environment, Social and Governance (ESG) dimensions. AXA IM analysts can complement with a fundamental and documented ESG analysis in case of lack of coverage or disagreement on the ESG scoring provided that it is approved by AXA IM dedicated internal governance body.

● ***What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?***

Not applicable as the Financial Product has no objective of sustainable investments.

● ***How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?***

Not applicable as the Financial Product has no objective of sustainable investments.

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

The EU Taxonomy sets out a “do no significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.

The “do no significant harm” principle applies only to those investments underlying the Financial Product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this Financial Product do not take into account the EU criteria for environmentally sustainable economic activities.

Any other sustainable investments must also not significantly harm any environmental or social objectives.



## Does this financial product consider principal adverse impacts on sustainability factors?

☒ Yes

☐ No

Principal adverse impacts are considered with both (i) qualitative and (ii) quantitative approaches:

(i) Qualitative approach to consider principal adverse impacts is based on exclusion and, where relevant, stewardship policies. Exclusions applied as part of the application of AXA IM’s Sectorial policies and AXA IM Environmental, Social and Governance Standards cover the most material sustainability factors’ risks and are applied bindingly on a continuous basis.

Through those exclusion policies the Financial Product takes into consideration potential negative impact on those specific PAI indicators:

### For Corporates:

	Relevant AXA IM policies	PAI indicator
Climate and other environment related indicators	Climate Risk policy	PAI 1: Green House Gas (GHG) emissions (scope 1, 2 & 3 starting 01/2023)
	Ecosystem Protection & Deforestation policy	
	Climate Risk policy	PAI 2: Carbon Footprint
	Ecosystem Protection & Deforestation policy	
	Climate Risk policy	PAI 3: GHG intensity of investee companies
	Ecosystem Protection & Deforestation policy	
	Climate Risk policy	PAI 4: Exposure to companies active in the fossil fuel sector
	Climate Risk policy (considering an expected correlation between GHG emissions and energy consumption) <sup>1</sup>	PAI 6: Energy consumption intensity per high impact climate sector
	Ecosystem Protection & Deforestation policy	PAI 7: activities negatively affecting biodiversity sensitive area

<sup>1</sup> The approach used to mitigate the PAI indicators through this exclusion policy will evolve as the improvement in data availability and quality enables AXA IM to use the PAI more effectively. Not all high impact climate sectors are targeted by the exclusion policy for the time being.

<b>Social and employee respect for human rights, anti-corruption and anti-bribery matters</b>	ESG standard policy / violation of international norms and standards	PAI 10: Violation of United Nations Global Compact Principles & OECD Guidelines for Multinational Enterprises
	ESG standards policy: violation of international norms and standards (considering an expected correlation between companies non-compliant with international norms and standards and the lack of implementation by companies of processes and compliance mechanisms to monitor compliance with those standards) <sup>2</sup>	PAI 11: Lack of processes and compliance mechanisms to monitor compliance with United Nations Global Compact Principles & OECD Guidelines for Multinational Enterprises
	Controversial weapons policy	PAI 14: Exposure to controversial weapons

For Sovereigns and Supranationals:

<b>Social</b>	<b>Relevant AXA IM policies</b>	<b>PAI indicator</b>
	AXA IM ESG standards with the exclusion of investee countries with severe social violations	
	AXA IM Compliance black-list based on international and EU sanctions	

(ii) Principal adverse impacts are also considered quantitatively through the PAI indicators' measurement and reported annually in the SFDR annex in the periodic reporting. The objective is to provide transparency to investors on significant negative impact on other sustainability factors. AXA IM measures all the mandatory PAI indicators, plus additional optional environmental indicator and additional optional social indicator.



## What investment strategy does this financial product follow?

**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

The Investment Manager selects investments by applying an extra-financial approach based on the exclusion filters as described in AXA IM's Sectorial and Environmental, Social and Governance Standards Policies ("ESG Standards").

Those sectorial exclusions cover areas such as Controversial Weapons, Climate risks, Soft Commodities, Ecosystem Protection & Deforestation and Tobacco. The ESG Standards encompass specific exclusions on white phosphorus weapons and exclude investments in securities issued by companies in violation of international norms and standards such as the United Nations Global Compact Principles or the OECD Guidelines for Multinational Enterprises; as well as investments in securities issued by companies which are involved in severe ESG-related incidents and investments in securities issued by companies with a Low ESG quality (which has, as of the date of this document, ESG scoring below 1.43 (on a scale of 0 to 10) – such number being subject to adaptation). Instruments issued by countries where serious specific categories of violations of Human Rights are observed are also banned. More details on those policies are available under the following link: [Policies and reports | AXA IM Corporate \(axa-im.com\)](https://www.axa-im.com/en/policies-and-reports)

<sup>2</sup> The approach used to mitigate the PAI indicators through this exclusion policy will evolve as the improvement in data availability and quality enables AXA IM to use the PAI more effectively.



The Financial Product promotes environmental and/or social characteristics through the consideration of the investee company's ESG score and the application of several exclusion policies.

● ***What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?***

The Financial Product bindingly applies at all times the following elements described below.

The Investment Manager bindingly applies at all times AXA IM's Sectorial Exclusion and ESG Standards Policies as a first exclusion filter. The Sectorial Exclusions Policies exclude companies linked to Controversial Weapons, Climate risks, Soft Commodities (based on food and basic agricultural or the marine commodities), unsustainable practices relating to Ecosystem Protection & Deforestation and Tobacco.

The ESG Standards Policy (the "ESG Standards") encompasses specific exclusions on white phosphorus weapons and excludes investments in securities issued by companies in violation of international norms and standards such as the United Nations Global Compact Principles or the OECD Guidelines for Multinational Enterprises; as well as investments in securities issued by companies which are involved in severe ESG-related incidents and investments in securities issued by companies with a Low ESG quality (which has, as of the date of this document, ESG scoring below 1.43 (on a scale of 0 to 10) – such number being subject to adaptation). Instruments issued by countries where serious specific categories of violations of Human Rights are observed are also banned. More details on those policies are available under the following link: [Policies and reports | AXA IM Corporate \(axa-im.com\)](#)

● ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

There is no committed minimum rate to reduce the scope of the investments considered.

● ***What is the policy to assess good governance practices of the investee companies?***

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

The Financial Product does not invest in companies which cause, contribute or are linked to violations of international norms and standards in a material manner. Those standards focus on Human Rights, Society, Labour and Environment and as such, provide a methodology to help assess the good governance practices of an investee company, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance. AXA IM relies on an external provider's screening framework and excludes any investee companies that have been assessed as "non-compliant" to United Nations Global Compact Principles, International Labour Organisation's (ILO) Conventions, OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights (UNGPs).



## What is the asset allocation planned for this financial product?

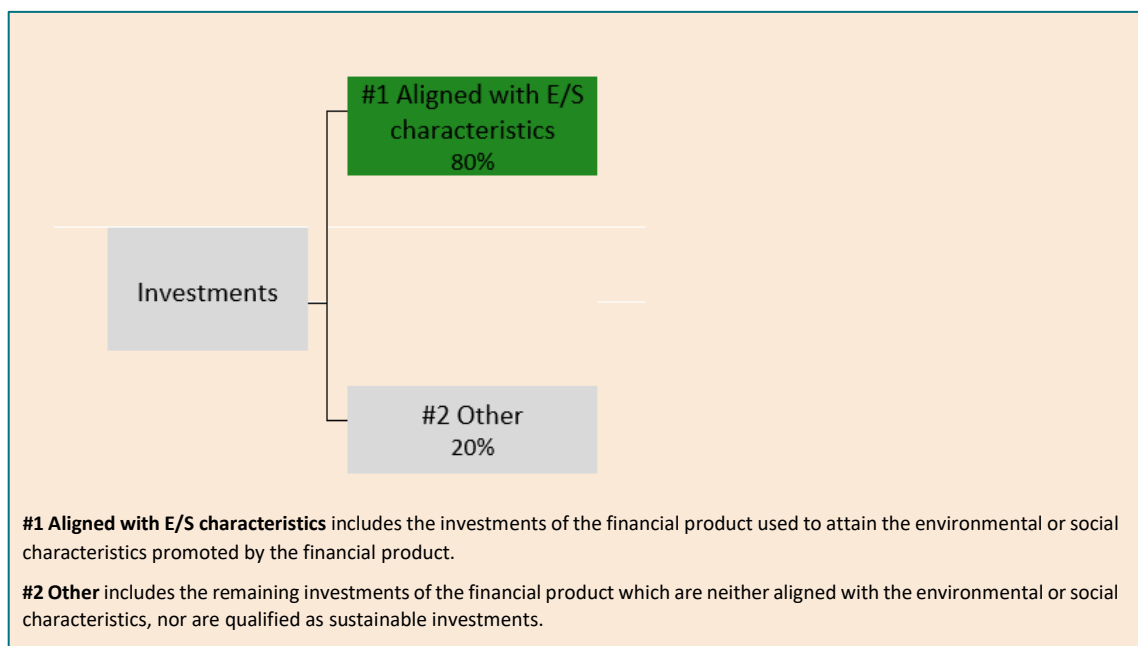
**Asset allocation** describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies

- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.

- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.



The Financial Product aims to plan its asset allocation as presented in the graph above. This planned asset allocation might deviate on a temporary basis.

The planned minimum proportion of the investments of the Financial Product used to meet the environmental or social characteristics promoted by the Financial Product is 80% of the Financial Product's Net Asset Value.

The remaining "Other" investments will represent a maximum of 20% of the Financial Product's Net Asset Value. Remaining "Other" investments are used for hedging, liquidity and portfolio management of the Financial Product. Minimum environmental or social safeguards based on AXA IM exclusion policies are assessed and applied on all "Other" assets except on (i) non-single name derivatives, (ii) on UCITS and/or UCIs managed by other management company and (iii) on cash and cash equivalent investments described above.

### ● *How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?*

Single names derivatives used for investment purpose apply exclusion policies and thus contribute to attain the environmental or social characteristics promoted by the Financial Product.



## To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

The Financial Product does not take into consideration the criteria of the EU Taxonomy environmental objectives. The Financial Product is not considering the "do no significant harm" criteria of the EU Taxonomy.

● **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>3</sup>?**

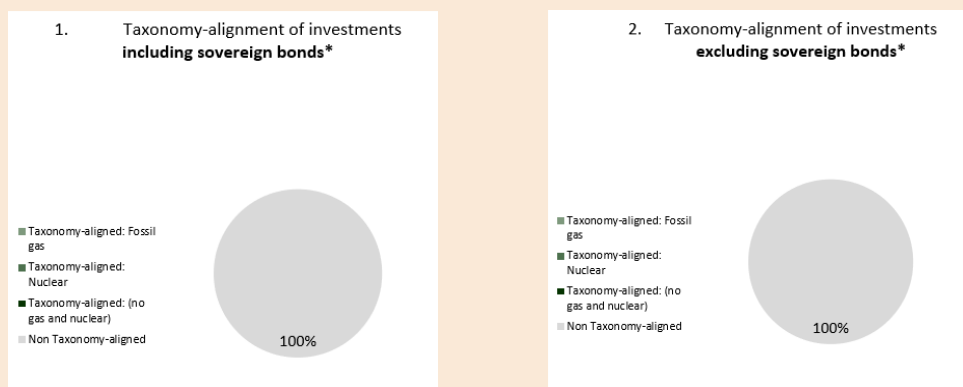
To comply with the EU taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

- ☐ Yes
- ☐ In fossil gas ☐ In nuclear energy
- ☒ No

The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy-alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy-alignment only in relation to the investments of the financial product other than sovereign bonds.



This graph represents 100% of the total investments.\*\*

\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

\*\* The proportion of total investments shown in this graph is purely indicative and may vary.

● **What is the minimum share of investments in transitional and enabling activities?**

Not applicable



**What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?**

Not applicable



**What is the minimum share of socially sustainable investments?**

Not applicable

are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.

<sup>3</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objectives -see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.



## **What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?**

The remaining “Other” investments will represent a maximum of 20% of the Financial Product’s Net Asset Value. The “other” assets may consist in:

- cash and cash equivalent investments, and
- other instruments eligible to the Financial Product and that do not meet the Environmental and/or Social criteria described in this document. Such assets may be transferable securities, derivatives investments and investment collective schemes that do not promote environmental or social characteristics and that are used to attain the financial objective of the Financial Product and/or for diversification and/or hedging purposes.

Environmental or social safeguards are applied and assessed on all “other” assets except on (i) non-single name derivatives, (ii) on UCITS and/or UCIs managed by other management company and (iii) on cash and cash equivalent investments described above.



## **Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?**

Not applicable as there is no specific index designated as an ESG reference benchmark.



## **Where can I find more product specific information online?**

More information can be found on the AXA IM fund centre following that link: [Funds - AXA IM Global \(axa-im.com\)](https://axa-im.com).

More details on AXA IM sustainable investment frameworks are available on [Sustainable Finance | SFDR | AXA IM Corporate \(axa-im.com\)](https://axa-im.com).

**Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852**

**Product name:** AXA World Funds - Global Strategic Income  
(the "Financial Product")

**Legal entity identifier:** 213800DR687J9C7WK742

## Environmental and / or social characteristics

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Does this financial product have a sustainable investment objective?	
<input checked="" type="radio"/> <input checked="" type="radio"/> <input type="checkbox"/> YES	<input checked="" type="radio"/> <input type="radio"/> <input checked="" type="checkbox"/> NO
<input type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective</b> :_%  <input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy  <input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy  <input type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective</b> :_%	<input checked="" type="checkbox"/> It <b>promotes Environmental/Social (E/S) characteristics</b> and while it does not have as its objective a sustainable investment, it will have a minimum proportion of 10% of sustainable investments  <input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy  <input checked="" type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy  <input checked="" type="checkbox"/> with a social objective  <input type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b>



### What environmental and/or social characteristics are promoted by this financial product?

The environmental and social characteristics promoted by the Financial Product consist of investing in securities issued by issuers considering the ESG score further described below.

The Financial Product promotes environmental and/or social characteristics by investing in securities that have implemented good practices in terms of managing their environmental, governance and social ("ESG") practices.

The Financial Product also promotes other specific environmental and social characteristics, mainly:

- Preservation of climate with exclusion policies on coal and unconventional oil & gas activities
- Protection of ecosystem and prevention of deforestation
- Better health with exclusion on tobacco
- Labour rights, society and human rights, business ethics, anti-corruption with exclusion on companies in violation of international norms and standards such as the United Nations Global Compact Principles, International Labour Organisation's (ILO) Conventions or the OECD Guidelines for Multinational Enterprises
- Protection of human rights avoiding investing in debt instruments issued by countries where the worst forms of human right violations are observed

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by this Financial Product.

A parallel comparison portfolio has been internally defined by the Investment Manager for ESG purposes as a moving strategic asset allocation constituted of ICE BofA G7 Government Index + ICE Global Large Cap Corporate Index + ICE BofA Global High Yield Indices (the "Comparison Portfolio").

● ***What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?***

The attainment of the environmental and social characteristics promoted by the Financial Product and described above is measured with the following sustainability indicator:

- The weighted average ESG score of the Financial Product and that of the parallel Comparison Portfolio which is based on ESG scoring from external data provider as primary inputs assessing data points across Environment, Social and Governance (ESG) dimensions. AXA IM analysts can complement with a fundamental and documented ESG analysis in case of lack of coverage or disagreement on the ESG scoring provided that it is approved by AXA IM dedicated internal governance body.

● ***What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?***

The Financial Product intends to partially invest in instruments qualifying as sustainable investments with various social and environmental objectives (without any limitation) by assessing the positive contribution of investee companies through at least one of the following dimensions:

**1. UN Sustainable Development Goals alignment (SDG)** of investee companies as reference framework, considering investee companies which contribute positively to at least one SDG either through the products and services they offer or the way they carry out their activities ("Operations"). To be considered as a sustainable asset, an investee company must satisfy the following criteria:

a. the SDG scoring related to the "products and services" offered by the investee company is equal or above 2, corresponding to at least 20% of its revenues being derived from a sustainable activity, or

b. using a Best-in-Universe approach consisting of giving priority to the investee companies best rated from a non-financial viewpoint irrespective of their sector of activity, the SDG scoring of the investee company's Operations is on the better top 2.5%, except in consideration to the SDG 5 (Gender equality), SDG 8 (Decent work and economic growth), SDG 10 (Reduced inequalities), SDG 12 (Responsible consumption and production) and SDG 16 (Peace, justice and strong institutions), for which the SDG scoring of the investee company's Operations is on the better top 5%. For SDG 5, 8, 10 and 16 the selectivity criteria on investee company's Operations is less restrictive as such SDGs are

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.



better addressed considering the way the investee company carries out its activities than the products and services offered by the investee company. It is also less restrictive for SDG 12 which can be addressed through the products and services or the way the investee company carries out its activities.

The quantitative SDG results are sourced from external data providers and can be overridden by a duly supported qualitative analysis performed by the Investment Manager.

The assessment is done at entity level and an investee company that satisfies the contribution to UN SDG criteria outlined above is considered as sustainable.

**2. Integration of investee companies engaged in a solid Transition Pathway** consistently with the European Commission's ambition to help fund the transition to a 1.5°C world - based on the framework developed by the Science Based Targets Initiative, considering investee companies which have validated Science-Based targets.

### **3. Investments in Green, Social or Sustainability Bonds (GSSB), Sustainability Linked Bonds:**

a. GSSB are instruments which aim to contribute to various sustainable objectives by nature. As such, investments in bonds issued by corporates and sovereigns that have been identified as green bonds, social bonds or sustainability bonds in Bloomberg data base are considered as "sustainable investments" under AXA IM's SFDR framework.

b. With regards to Sustainability Linked Bonds, an internal framework was developed to assess the robustness of those bonds that are used to finance general sustainable purpose. As these instruments are newer leading to heterogeneous practices from issuers, only Sustainability Linked Bonds that get a positive or neutral opinion from AXA IM's internal analysis process are considered as "sustainable investments". This analysis framework draws on the International Capital Market Association (ICMA) guidelines with a stringent proprietary approach based on the following defined criteria: (i) issuer's sustainability strategy and key performance indicators relevance and materiality, (ii) sustainability performance target's ambition, (iii) bond characteristics and (iv) sustainability performance target's monitoring & reporting.

Investments in Green, Social or Sustainability Bonds (GSSB), Sustainability Linked Bonds comply with AXA IM GSS Bond Framework. We have designed our framework to be compliant with Green Bonds Principles and Social Bond Principles, adding more stringent criteria on some aspects.

Those methodologies may evolve in the future to take into account any improvements for example in data availability and reliability, or any developments of, but not limited to, regulations or other external frameworks or initiatives.

The Financial Product is not taking into consideration the criteria of the EU Taxonomy environmental objectives.

#### ***How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?***

The application of the Do No Significant Harm ("DNSH") Principle for the sustainable investments the Financial Product partially intends to make means that an investee company cannot qualify as sustainable if it meets any of the criteria listed below:

- The investee company causes harm along any of the SDGs when one of its SDG scores is below - 5 based on a quantitative database from an external provider on a scale ranging from +10 corresponding to 'significantly contributing' to -10 corresponding to 'significantly obstructing', unless the quantitative score has been qualitatively overridden. This criterion is applied on the investee companies that are considered as sustainable.

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

- The investee company is in AXA IM's sectorial and ESG standards ban lists (as described below), which consider among other factors the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights. This criterion is applied on the entire portfolio.
- The investee company has a CCC (or 1.43) or lower ESG scoring according to AXA IM ESG scoring methodology. The ESG score is based on ESG scoring from external data provider as primary inputs assessing data points across Environment, Social and Governance (ESG) dimensions. AXA IM analysts can complement with a fundamental and documented ESG analysis in case of lack of coverage or disagreement on the ESG scoring provided that it is approved by AXA IM dedicated internal governance body. This criterion is applied on the entire portfolio.

Indicators for principal adverse impacts on sustainability factors are considered, including through the application of AXA IM's exclusion and stewardship policies.

*How have the indicators for adverse impacts on sustainability factors been taken into account?*

The Financial Product takes into consideration Principal Adverse Impacts ("PAI") indicators to ensure that the sustainable investments are not harming significantly any other sustainability objectives under SFDR.

Principal adverse impacts are mitigated through sectorial exclusion policies and AXA IM ESG standards (as described below) that are applied bindingly at all times by the Financial Product, as well as through the filters based on UN Sustainable Development Goals scoring.

No specific threshold or comparison with reference value have been defined within the DNSH approach.

Where relevant, stewardship policies are an additional risk mitigation on principal adverse impacts through direct dialogue with investee companies on sustainability and governance issues. Through the engagement activities, the Financial Product will use its influence as an investor to encourage investee companies to mitigate environmental and social risks relevant to their sectors.

Voting at general meetings is also an important element of the dialogue with investee companies in order to foster sustainably long-term value of the investee companies in which the Financial Product invests and mitigates adverse impacts.

**Exclusion Policies:**

- **Environmental:**

Relevant AXA IM policies	PAI indicator
Climate Risk policy Ecosystem Protection & Deforestation policy	PAI 1: Green House Gas (GHG) emissions (scope 1, 2, & 3 starting 01/2023)
	PAI 2: Carbon Footprint
	PAI 3: GHG intensity of investee companies
Climate Risk policy	PAI 4: Exposure to Companies active in the fossil fuel sector
Climate Risk policy (engagement only)	PAI 5: Share of non-renewable energy consumption and production

Climate Risk policy (considering an expected correlation between GHG emissions and energy consumption) <sup>1</sup>	PAI 6: Energy consumption intensity per high impact climate sector
Ecosystem Protection & Deforestation policy	PAI 7: Activities negatively affecting biodiversity sensitive areas

- **Social and Governance:**

Relevant AXA IM policies	PAI indicator
ESG standards policy: violation of international norms and standards	PAI 10: Violations of United Nations Global Compact Principles & OECD Guidelines for Multinational Enterprises
ESG standards policy: violation of international norms and standards (considering an expected correlation between companies non-compliant with international norms and standards and the lack of implementation by companies of processes and compliance mechanisms to monitor compliance with those standards) <sup>2</sup>	PAI 11: Lack of processes and compliance mechanisms to monitor compliance with United Nations Global Compact Principles & OECD Guidelines for Multinational Enterprises
Voting and Engagement policy with systematic voting criteria linked with board gender diversity	PAI 13: Board Gender diversity
Controversial weapons policy	PAI 14: Exposure to controversial weapons

**Filter based on UN SDGs:**

The Investment Manager also relies on the SDG pillar of its sustainable investment framework to monitor and take into account adverse impacts on those sustainability factors by excluding investee companies which have a SDG score under – 5 on any SDG (on a scale from + 10 corresponding to ‘significant contributing impact’ to – 10 corresponding to ‘significant obstructing impact’), unless the quantitative score has been qualitatively overridden following a duly documented analysis by AXA IM Core ESG & Impact Research. This approach enables AXA IM to ensure investee companies with the worst adverse impacts on any SDG are not considered as sustainable investments.

Data availability and quality is lower for the time being on certain sustainability factors related to biodiversity as an example, which may impact the coverage for the following PAI indicators: emissions to water (PAI 8), hazardous and radioactive waste ratio (PAI 9) and unadjusted gender pay gap (PAI 12). Those sustainability factors are part of the 17 objectives targeted by the United Nations SDGs (more specifically they are covered through SDG 5 “Gender equality”, SDG 6 “Clean water and sanitation”, SDG 8 “Decent work and economic growth”, SDG 10 “Reduced inequalities”, SDG 12 “Responsible consumption and production” and SDG 14 “Life below water”) and AXA IM’s framework there enables to mitigate the worst impacts pending the increase on data availability and quality.

- *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:*

The Financial Product does not invest in companies which cause, contribute or are linked to violations of international norms and standards in a material manner. Those standards focus on Human Rights, Society, Labour and Environment and as such, provide a methodology to help assess the good governance practices of an issuer, in particular with respect to sound management structures,

<sup>1</sup> The approach used to mitigate the PAI indicators through this exclusion policy will evolve as the improvement in data availability and quality enables AXA IM to use the PAI more effectively. Not all high impact climate sectors are targeted by the exclusion policy for the time being.

<sup>2</sup> The approach used to mitigate the PAI indicators through this exclusion policy will evolve as the improvement in data availability and quality enables AXA IM to use the PAI more effectively.

employee relations, remuneration of staff and tax compliance. AXA IM relies on an external provider's screening framework and excludes any investee companies that have been assessed as "non-compliant" to United Nations Global Compact Principles, International Labour Organisation's (ILO) Conventions, OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights (UNGPs).

The EU Taxonomy sets out a "do no significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.

The "do no significant harm" principle applies only to those investments underlying the Financial Product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this Financial Product do not take into account the EU criteria for environmentally sustainable economic activities.

Any other sustainable investments must also not significantly harm any environmental or social objectives.



## Does this financial product consider principal adverse impacts on sustainability factors?

☒ Yes

☐ No

Principal adverse impacts are considered with both (i) qualitative and (ii) quantitative approaches:

(i) Qualitative approach to consider principal adverse impacts is based on exclusion and, where relevant, stewardship policies. Exclusions applied as part of the application of AXA IM's Sectorial policies and ESG Standards cover the most material sustainability factors' risks and are applied bindingly on a continuous basis.

Where relevant, stewardship policies are an additional risk mitigation on principal adverse impacts through direct dialogue with investee companies on sustainability and governance issues. Through its engagement activities, the Financial Product will use its influence as an investor to encourage investee companies to mitigate environmental and social risks relevant to their sectors.

Voting at general meetings is an important element of the dialogue with investee companies in order to foster sustainably long-term value of the investee companies in which the Financial Product invests and mitigates adverse impacts.

Through those exclusion and stewardship policies the Financial Product takes into consideration potential negative impact on those specific PAI indicators:

For Corporates:

	Relevant AXA IM policies	PAI indicator
Climate and other environment related indicators	Climate Risk policy	PAI 1: Green House Gas (GHG) emissions (scope 1, 2 & 3 starting 01/2023)
	Ecosystem Protection & Deforestation policy	

	Climate Risk policy	PAI 2: Carbon Footprint
	Ecosystem Protection & Deforestation policy	
	Climate Risk policy	PAI 3: GHG intensity of investee companies
	Ecosystem Protection & Deforestation policy	
	Climate Risk policy	PAI 4: Exposure to companies active in the fossil fuel sector
	Climate Risk policy (engagement only)	PAI 5: Share of non-renewable energy consumption and production
	Climate risk policy (considering an expected correlation between GHG emissions and energy consumption) <sup>3</sup>	PAI 6: Energy consumption intensity per high impact climate sector
	Ecosystem Protection & Deforestation policy	PAI 7: activities negatively affecting biodiversity sensitive area
<b>Social and employee respect for human rights, anti-corruption and anti-bribery matters</b>	ESG standard policy / violation of international norms and standards	PAI 10: Violation of United Nations Global Compact Principles & OECD Guidelines for Multinational Enterprises
	ESG standards policy: violation of international norms and standards (considering an expected correlation between companies non-compliant with international norms and standards and the lack of implementation by companies of processes and compliance mechanisms to monitor compliance with those standards) <sup>4</sup>	PAI 11: Lack of processes and compliance mechanisms to monitor compliance with United Nations Global Compact Principles & OECD Guidelines for Multinational Enterprises
	Voting and Engagement policy with systematic voting criteria linked with board gender diversity	PAI 13: Board Gender diversity
	Controversial weapons policy	PAI 14: Exposure to controversial weapons

For Sovereigns and Supranationals:

	Relevant AXA IM policies	PAI indicator
<b>Social</b>	AXA IM ESG standards with the exclusion of investee countries with severe social violations	PAI 16: Sovereign investee countries subject to social violations
	AXA IM Compliance black-list based on international and EU sanctions	

<sup>3</sup> The approach used to mitigate the PAI indicators through this exclusion policy will evolve as the improvement in data availability and quality enables AXA IM to use the PAI more effectively. Not all high impact climate sectors are targeted by the exclusion policy for the time being.

<sup>4</sup> The approach used to mitigate the PAI indicators through this exclusion policy will evolve as the improvement in data availability and quality enables AXA IM to use the PAI more effectively.

(ii) Principal adverse impacts are also considered quantitatively through the PAI indicators' measurement and reported annually in the SFDR annex in the periodic reporting. The objective is to provide transparency to investors on significant negative impact on other sustainability factors. AXA IM measures all the mandatory PAI indicators, plus additional optional environmental indicator and additional optional social indicator.



**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

## What investment strategy does this financial product follow?

The Investment Manager selects investments by applying an extra-financial approach based on the exclusion filters as described in AXA IM's Sectorial Exclusion and ESG Standards Policies. Those sectorial exclusions cover areas such as Controversial Weapons, Climate risks, Soft Commodities, Ecosystem Protection & Deforestation and Tobacco. The ESG Standards encompass specific exclusions on white phosphorus weapons and exclude investments in securities issued by companies in violation of international norms and standards such as the United Nations Global Compact Principles or the OECD Guidelines for Multinational Enterprises; as well as investments in securities issued by companies which are involved in severe ESG-related incidents and investments in securities issued by companies with a Low ESG quality (which has, as of the date of this document, ESG scoring of below 1.43 (on a scale of 0 to 10) – such number being subject to adaptation). Instruments issued by countries where serious specific categories of violations of Human Rights are observed are also banned. More details on those policies are available under the following link: [Policies and reports | AXA IM Corporate \(axa-im.com\)](https://www.axa-im.com/en/policies-and-reports)

The ESG criteria contribute to, but are not a determining factor in, the Investment Manager's decision making.

In addition, the Financial Product always outperforms the parallel Comparison Portfolio, in terms of ESG scores calculated on a weighted average basis. ESG score is based on ESG scoring from external data provider as primary inputs assessing data points across Environment, Social and Governance (ESG) dimensions that include the environmental and social characteristics described above and promoted by the Financial Product. AXA IM ESG analysts can complement with a fundamental and documented ESG analysis in case of lack of coverage or disagreement on the ESG scores provided that it is approved by AXA IM dedicated internal governance body.

## ● ***What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?***

The Financial Product bindingly applies at all times the following elements described below.

1. The Investment Manager bindingly applies at all times AXA IM's Sectorial Exclusion and ESG Standards Policies as a first exclusion filter. The Sectorial Exclusions Policies exclude companies linked to Controversial Weapons, Climate risks, Soft Commodities (based on food and basic agricultural or the marine commodities), unsustainable practices relating to Ecosystem Protection & Deforestation and Tobacco. The ESG Standards Policy (the "ESG Standards") encompasses specific exclusions on white phosphorus weapons and excludes investments in securities issued by companies in violation of international norms and standards such as the United Nations Global Compact Principles or the OECD Guidelines for Multinational Enterprises; as well as investments in securities issued by companies which are involved in severe ESG-related incidents and investments in securities issued by companies with a Low ESG quality (which has, as of the date of this document, ESG scoring below 1.43 (on a scale of 0 to 10) – such number being subject to adaptation). Instruments issued by countries where serious specific categories of violations of Human Rights are observed are also banned. More details on those policies are available under the following link: [Policies and reports | AXA IM Corporate \(axa-im.com\)](https://www.axa-im.com/en/policies-and-reports)



2. In addition, the Financial Product always outperforms the parallel Comparison Portfolio, in terms of ESG scores calculated on a weighted average basis. ESG score is based on ESG scoring from external data provider as primary inputs assessing data points across Environment, Social and Governance (ESG) dimensions that include the environmental and social characteristics described above and promoted by the Financial Product. AXA IM ESG analysts can complement with a fundamental and documented ESG analysis in case of lack of coverage or disagreement on the ESG scoring provided that it is approved by AXA IM dedicated internal governance body.

AXA IM has implemented scoring methodologies to rate issuers (corporates, sovereigns, green, social and sustainability bonds) on ESG criteria. These methodologies allow to rate corporates and sovereign issuers and are based on quantitative data from several data providers as well as on qualitative analysis from internal and external research. The data used in these methodologies include carbon emissions, water stress, health and safety at work, supply chain labour standards, business ethics, corruption and instability.

The corporate and sovereign scoring methodologies rely on three pillars and several sub-factors that cover the most material risk factors encountered by issuers in the E, S and G fields. The frame of reference draws on fundamental principles, such as United Nations Global Compact Principles, the OECD Guidelines for Multinational Enterprises, the International Labour Organisation's (ILO) Conventions, and other international principles and conventions that guide companies and governments activities in the field of sustainable development and social responsibility. The analysis is based on the most material ESG risks and opportunities previously identified for each sector and company, with 10 factors: Climate Change, Natural Capital, Pollution and Waste, Environmental Opportunities, Human Capital, Product Liability, Stakeholder Opposition, Social Opportunities, Corporate Governance and Corporate Behaviour. The final ESG score also incorporates the concept of industry dependent factors and deliberately differentiates between sectors, to overweight the most material factors for each industry. Materiality is not limited to impacts relating to an investee company's operations, it also includes the impacts on external stakeholders as well as the underlying reputational risk arising from a poor grasp of major ESG issues. In the corporate methodology, the severity of controversies is assessed and monitored on an ongoing basis to make sure that the most material risks are reflected in the final ESG score. The controversies with high severity will trigger large penalties on the sub-factor scores and ultimately on the ESG scores.

These ESG scores provide a standardized and holistic view on the performance of investee companies on ESG factors and enable to both promote Environmental and/or Social characteristics of the Financial Product.

3. The ESG analysis minimum coverage rate within the Financial Product is moving in accordance with the moving asset allocation composition as decided by the Investment Manager from time to time, this rate being calculated according to the weighted average assets allocation mix in the Financial Product between 90% ESG analysis minimum coverage rate for securities issued in developed countries and/or rated Investment Grade, and 75% ESG analysis minimum coverage rate for securities issued in emerging countries and/or rated Sub-Investment Grade.

The ESG data (of which ESG score or SDG score wherever relevant) used in the investment process are based on ESG methodologies which rely in part on third party data, and in some cases are internally developed. They are subjective and may change over time. Despite several initiatives, the lack of harmonised definitions can make ESG criteria heterogeneous. As such, the different investment strategies that use ESG criteria and ESG reporting are difficult to compare with each other. Strategies that incorporate ESG criteria and those that incorporate sustainable development criteria may use ESG data that appear similar but which should be distinguished because their calculation method may be different. AXA IM's ESG different methodologies described herein may evolve in the future to take into

account any improvements in data availability and reliability, or any developments of regulations or other external frameworks or initiatives - among others.

- ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

There is no committed minimum rate to reduce the scope of the investments considered.

- ***What is the policy to assess good governance practices of the investee companies?***

**Good governance**  
practices include sound management structures, employee relations, remuneration of staff and tax compliance.

The Financial Product does not invest in companies which cause, contribute or are linked to violations of international norms and standards in a material manner. Those standards focus on Human Rights, Society, Labour and Environment and as such, provide a methodology to help assess the good governance practices of an investee company, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance. AXA IM relies on an external provider's screening framework and excludes any investee companies that have been assessed as "non-compliant" to United Nations Global Compact Principles, International Labour Organisation's (ILO) Conventions, OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights (UNGPs).

In addition, ensuring good governance practices is also addressed by the engagement policies. AXA IM implemented a comprehensive active ownership strategy – engagement and voting – where AXA IM acts as stewards of investments made on the clients' behalf. AXA IM views engagement as a means for investors to influence, shape and shift investee companies' policies and practices to mitigate risks and secure long-term value. Governance practices of investee companies are engaged at first level by the portfolio managers and dedicated ESG analysts when meeting investee companies' management team. It is through the long-term investor status and in-depth knowledge of the investment targets that AXA IM feels legitimate to engage in a constructive but demanding dialogue with them.



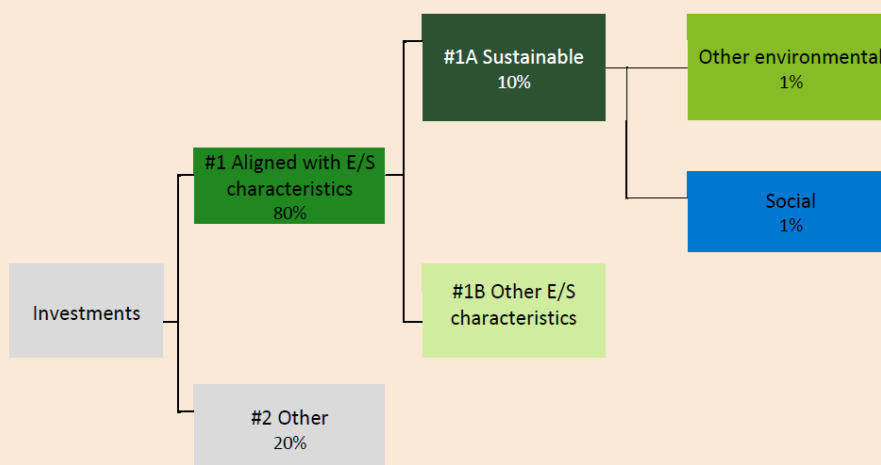
## What is the asset allocation planned for this financial product?

### Asset allocation

describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments

The Financial Product aims to plan its asset allocation as presented in the graph above. This planned asset allocation might deviate on a temporary basis.

The planned minimum proportion of the investments of the Financial Product used to meet the environmental or social characteristics promoted by the Financial Product is 80% of the Financial Product's Net Asset Value.

The planned minimum proportion of sustainable investments of the Financial Product where that Financial Product commits to making sustainable investments is 10% of the Financial Product's Net Asset Value.

The remaining "Other" investments will represent a maximum of 20% of the Financial Product's Net Asset Value. Remaining "Other" investments are used for hedging, liquidity and portfolio management of the Financial Product. Minimum environmental or social safeguards based on AXA IM exclusion policies are assessed and applied on all "Other" assets except on (i) non-single name derivatives, (ii) on UCITS and/or UCIs managed by other management company and (iii) on cash and cash equivalent investments described above.

### ● **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

Single names derivatives used for investment purpose apply exclusion policies and thus contribute to attain the environmental or social characteristics promoted by the Financial Product.



## To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

To comply with the EU taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

The Financial Product does not take into consideration the criteria of the EU Taxonomy environmental objectives. The Financial Product is not considering the “do no significant harm” criteria of the EU Taxonomy.

### ● Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy <sup>5</sup>?

☐

Yes

☐

In fossil gas

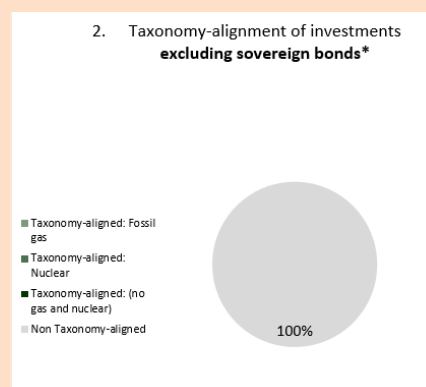
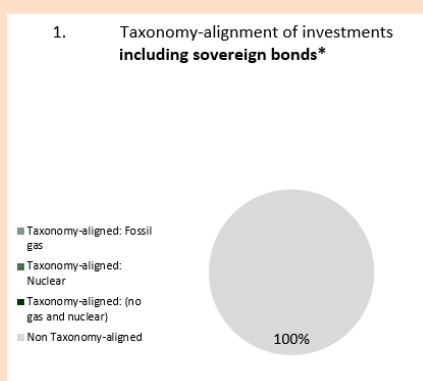
☐

In nuclear energy

☒

No

The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy-alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy-alignment only in relation to the investments of the financial product other than sovereign bonds.



This graph represents 100% of the total investments.\*\*

\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

\*\* The proportion of total investments shown in this graph is purely indicative and may vary.

### ● What is the minimum share of investments in transitional and enabling activities?

Not applicable



## What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

The minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy is 1% of the Financial Product's Net Asset Value.

<sup>5</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change (“climate change mitigation”) and do not significantly harm any EU Taxonomy objectives -see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

The proportion of investments between environmental sustainable assets not aligned with EU Taxonomy and social sustainable assets is freely allocated and adds up to at least the total sustainable investments.



### **What is the minimum share of socially sustainable investments?**

The minimum share of sustainable investments with social objectives is 1% of the Financial Product's Net Asset Value.

The proportion of investments between environmental sustainable assets not aligned with EU Taxonomy and social sustainable assets is freely allocated and adds up to at least the total sustainable investments.



### **What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?**

The remaining “Other” investments will represent a maximum of 20% of the Financial Product's Net Asset Value. The “other” assets may consist in:

- cash and cash equivalent investments, and
- other instruments eligible to the Financial Product and that do not meet the Environmental and/or Social criteria described in this document. Such assets may be transferable securities, derivatives investments and investment collective schemes that do not promote environmental or social characteristics and that are used to attain the financial objective of the Financial Product and/or for diversification and/or hedging purposes.

Environmental or social safeguards are applied and assessed on all “other” assets except on (i) non-single name derivatives, (ii) on UCITS and/or UCIs managed by other management company and (iii) on cash and cash equivalent investments described above.



### **Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?**

Not applicable as there is no specific index as an ESG reference benchmark.



### **Where can I find more product specific information online?**

More information can be found on the AXA IM fund centre following that link: [Funds - AXA IM Global \(axa-im.com\)](https://axa-im.com).

More details on AXA IM sustainable investment frameworks are available on [Sustainable Finance | SFDR | AXA IM Corporate \(axa-im.com\)](https://axa-im.com).

**Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852**

**Product name:** AXA World Funds - US High Yield Bonds (the "Financial Product")

**Legal entity identifier:**  
213800MRE1HGV6R96K78

## Environmental and / or social characteristics

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Does this financial product have a sustainable investment objective?	
<input checked="" type="radio"/> <input checked="" type="radio"/> <input type="checkbox"/> YES	<input checked="" type="radio"/> <input type="radio"/> <input checked="" type="checkbox"/> NO
<input type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective</b> : __%  <input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy  <input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy  <input type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective</b> : __%	<input type="checkbox"/> It <b>promotes Environmental/Social (E/S) characteristics</b> and while it does not have as its objective a sustainable investment, it will have a minimum proportion of __% of sustainable investments  <input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy  <input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy  <input type="checkbox"/> with a social objective  <input checked="" type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b>



### What environmental and/or social characteristics are promoted by this financial product?

The environmental and social characteristics promoted by the Financial Product consist of investing in securities issued by issuers considering the ESG score further described below.

The Financial Product promotes environmental and/or social characteristics by investing in securities that have implemented good practices in terms of managing their environmental, governance and social ("ESG") practices.



The Financial Product also promotes other specific environmental and social characteristics, mainly:

- Preservation of climate with exclusion policies on coal and unconventional oil & gas activities
- Protection of ecosystem and prevention of deforestation
- Better health with exclusion on tobacco
- Labour rights, society and human rights, business ethics, anti-corruption with exclusion on companies in violation of international norms and standards such as the United Nations Global Compact Principles, International Labour Organisation's (ILO) Conventions or the OECD Guidelines for Multinational Enterprises
- Protection of human rights avoiding investing in debt instruments issued by countries where the worst forms of human right violations are observed

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by this Financial Product. A broad market index, ICE BofA US High Yield Master II benchmark index (the "Benchmark"), has been designated by the Financial Product.

The initial investment universe of the Financial Product will be defined as the Benchmark (the "Investment Universe").

● ***What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?***

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

The attainment of the environmental and social characteristics promoted by the Financial Product and described above is measured with the following sustainability indicator:

- The weighted average ESG score of the Financial Product and that of the Benchmark which is based on ESG scoring from external data provider as primary inputs assessing data points across Environment, Social and Governance (ESG) dimensions. AXA IM analysts can complement with a fundamental and documented ESG analysis in case of lack of coverage or disagreement on the ESG scoring provided that it is approved by AXA IM dedicated internal governance body.

● ***What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?***

Not applicable as the Financial Product has no objective of sustainable investments.

● ***How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?***

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

Not applicable as the Financial Product has no objective of sustainable investments.

The EU Taxonomy sets out a “do no significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.

The “do no significant harm” principle applies only to those investments underlying the Financial Product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this Financial Product do not take into account the EU criteria for environmentally sustainable economic activities.

Any other sustainable investments must also not significantly harm any environmental or social objectives.



## Does this financial product consider principal adverse impacts on sustainability factors?

☒ Yes

☐ No

Principal adverse impacts are considered with both (i) qualitative and (ii) quantitative approaches:

(i) Qualitative approach to consider principal adverse impacts is based on exclusion and, where relevant, stewardship policies. Exclusions applied as part of the application of AXA IM's Sectorial policies and ESG Standards cover the most material sustainability factors' risks and are applied bindingly on a continuous basis.

Where relevant, stewardship policies are an additional risk mitigation on principal adverse impacts through direct dialogue with investee companies on sustainability and governance issues. Through its engagement activities, the Financial Product will use its influence as an investor to encourage investee companies to mitigate environmental and social risks relevant to their sectors.

Voting at general meetings is an important element of the dialogue with investee companies in order to foster sustainably long-term value of the investee companies in which the Financial Product invests and mitigates adverse impacts.

Through those exclusion and stewardship policies the Financial Product takes into consideration potential negative impact on those specific PAI indicators:

For Corporates:

	Relevant AXA IM policies	PAI indicator
Climate and other environment related indicators	Climate Risk policy	PAI 1: Green House Gas (GHG) emissions (scope 1, 2 & 3 starting 01/2023)
	Ecosystem Protection & Deforestation policy	
	Climate Risk policy	PAI 2: Carbon Footprint
	Ecosystem Protection & Deforestation policy	
	Climate Risk policy	PAI 3: GHG intensity of investee companies
	Ecosystem Protection & Deforestation policy	
	Climate Risk policy	PAI 4: Exposure to companies active in the fossil fuel sector

	Climate Risk policy (engagement only)	PAI 5: Share of non-renewable energy consumption and production
	Climate Risk policy (considering an expected correlation between GHG emissions and energy consumption) <sup>1</sup>	PAI 6: Energy consumption intensity per high impact climate sector
	Ecosystem Protection & Deforestation policy	PAI 7: activities negatively affecting biodiversity sensitive area
<b>Social and employee respect for human rights, anti-corruption and anti-bribery matters</b>	ESG standard policy / violation of international norms and standards	PAI 10: Violation of United Nations Global Compact Principles & OECD Guidelines for Multinational Enterprises
	ESG standards policy: violation of international norms and standards (considering an expected correlation between companies non-compliant with international norms and standards and the lack of implementation by companies of processes and compliance mechanisms to monitor compliance with those standards) <sup>2</sup>	PAI 11: Lack of processes and compliance mechanisms to monitor compliance with United Nations Global Compact Principles & OECD Guidelines for Multinational Enterprises
	Voting and Engagement policy with systematic voting criteria linked with board gender diversity	PAI 13: Board Gender diversity
	Controversial weapons policy	PAI 14: Exposure to controversial weapons

For Sovereigns and Supranationals:

	<b>Relevant AXA IM policies</b>	<b>PAI indicator</b>
<b>Social</b>	AXA IM ESG standards with the exclusion of investee countries with severe social violations	PAI 16: Sovereign investee countries subject to social violations
	AXA IM Compliance black-list based on international and EU sanctions	

(ii) Principal adverse impacts are also considered quantitatively through the PAI indicators' measurement and reported annually in the SFDR annex in the periodic reporting. The objective is to provide transparency to investors on significant negative impact on other sustainability factors. AXA IM measures all the mandatory PAI indicators, plus additional optional environmental indicator and additional optional social indicator.

<sup>1</sup> The approach used to mitigate the PAI indicators through this exclusion policy will evolve as the improvement in data availability and quality enables AXA IM to use the PAI more effectively. Not all high impact climate sectors are targeted by the exclusion policy for the time being.

<sup>2</sup> The approach used to mitigate the PAI indicators through this exclusion policy will evolve as the improvement in data availability and quality enables AXA IM to use the PAI more effectively.



## What investment strategy does this financial product follow?

The investment strategy guides investment decisions based on factors such as investment objectives and risk tolerance.

The Investment Manager selects investments by applying an extra-financial approach based on the exclusion filters as described in AXA IM's Sectorial Exclusion and ESG Standards Policies.

Those sectorial exclusions cover areas such as Controversial Weapons, Climate risks, Soft Commodities, Ecosystem Protection & Deforestation and Tobacco. The ESG Standards encompass specific exclusions on white phosphorus weapons and exclude investments in securities issued by companies in violation of international norms and standards such as the United Nations Global Compact Principles or the OECD Guidelines for Multinational Enterprises; as well as investments in securities issued by companies which are involved in severe ESG-related incidents and investments in securities issued by companies with a Low ESG quality (which has, as of the date of this document, ESG scoring below 1.43 (on a scale of 0 to 10) – such number being subject to adaptation). Instruments issued by countries where serious specific categories of violations of Human Rights are observed are also banned. More details on those policies are available under the following link: [Policies and reports | AXA IM Corporate \(axa-im.com\)](#).

The ESG criteria contribute to, but are not a determining factor in, the Investment Manager's decision making.

In addition, the Financial Product always outperforms the Investment Universe in terms of ESG scores calculated on a weighted average basis. ESG score is based on ESG scoring from external data provider as primary inputs assessing data points across ESG dimensions that include the environmental and social characteristics described above and promoted by the Financial Product. AXA IM ESG analysts can complement with a fundamental and documented ESG analysis in case of lack of coverage or disagreement on the ESG scores provided that it is approved by AXA IM dedicated internal governance body.

### ***What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?***

The Financial Product bindingly applies at all times the following elements described below.

1. The Investment Manager bindingly applies at all times AXA IM's Sectorial Exclusion and ESG Standards Policies as a first exclusion filter. The Sectorial Exclusions Policies exclude companies linked to as Controversial Weapons, Climate risks, Soft Commodities (based on food and basic agricultural or the marine commodities), unsustainable practices relating to Ecosystem Protection & Deforestation and Tobacco. The ESG Standards Policy (the “ESG Standards”) encompasses specific exclusions on white phosphorus weapons and excludes investments in securities issued by companies in violation of international norms and standards such as the United Nations Global Compact Principles or the OECD Guidelines for Multinational Enterprises; as well as investments in securities issued by companies which are involved in severe ESG-related incidents and investments in securities issued by companies with a Low ESG quality (which has, as of the date of this document, ESG scoring below 1.43 (on a scale of 0 to 10) – such number being subject to adaptation). Instruments issued by countries where serious specific categories of violations of Human Rights are observed are also banned. More details on those policies are available under the following link: [Policies and reports | AXA IM Corporate \(axa-im.com\)](#).

2. In addition, the Financial Product always outperforms the Investment Universe in terms of ESG scores calculated on a weighted average basis. ESG score is based on ESG scoring from external data

provider as primary inputs assessing data points across Environment, Social and Governance (ESG) dimensions that include the environmental and social characteristics described above and promoted by the Financial Product. AXA IM ESG analysts can complement with a fundamental and documented ESG analysis in case of lack of coverage or disagreement on the ESG scoring provided that it is approved by AXA IM dedicated internal governance body.

AXA IM has implemented scoring methodologies to rate issuers (corporates, sovereigns, green, social and sustainability bonds) on ESG criteria. These methodologies allow to rate corporates and sovereign issuers and are based on quantitative data from several data providers as well as on qualitative analysis from internal and external research. The data used in these methodologies include carbon emissions, water stress, health and safety at work, supply chain labour standards, business ethics, corruption and instability.

The corporate and sovereign scoring methodologies rely on three pillars and several sub-factors that cover the most material risk factors encountered by issuers in the E, S and G fields. The frame of reference draws on fundamental principles, such as United Nations Global Compact Principles, the OECD Guidelines for Multinational Enterprises, the International Labour Organisation's (ILO) Conventions, and other international principles and conventions that guide companies and governments activities in the field of sustainable development and social responsibility. The analysis is based on the most material ESG risks and opportunities previously identified for each sector and company, with 10 factors: Climate Change, Natural Capital, Pollution and Waste, Environmental Opportunities, Human Capital, Product Liability, Stakeholder Opposition, Social Opportunities, Corporate Governance and Corporate Behaviour. The final ESG score also incorporates the concept of industry dependent factors and deliberately differentiates between sectors, to overweight the most material factors for each industry. Materiality is not limited to impacts relating to an investee company's operations, it also includes the impacts on external stakeholders as well as the underlying reputational risk arising from a poor grasp of major ESG issues. In the corporate methodology, the severity of controversies is assessed and monitored on an ongoing basis to make sure that the most material risks are reflected in the final ESG score. The controversies with high severity will trigger large penalties on the sub-factor scores and ultimately on the ESG scores.

These ESG scores provide a standardized and holistic view on the performance of investee companies on ESG factors and enable to both promote Environmental and/or Social characteristics of the Financial Product.

3. The ESG analysis minimum coverage rate within the portfolio is 75% of the net assets of the Financial Product.

The ESG data (of which ESG score or SDG score wherever relevant) used in the investment process are based on ESG methodologies which rely in part on third party data, and in some cases are internally developed. They are subjective and may change over time. Despite several initiatives, the lack of harmonised definitions can make ESG criteria heterogeneous. As such, the different investment strategies that use ESG criteria and ESG reporting are difficult to compare with each other. Strategies that incorporate ESG criteria and those that incorporate sustainable development criteria may use ESG data that appear similar but which should be distinguished because their calculation method may be different. AXA IM's ESG different methodologies described herein may evolve in the future to take into account any improvements in data availability and reliability, or any developments of regulations or other external frameworks or initiatives - among others.

- **What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?**

There is no committed minimum rate to reduce the scope of the investments considered.

- **What is the policy to assess good governance practices of the investee companies?**

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

The Financial Product does not invest in companies which cause, contribute or are linked to violations of international norms and standards in a material manner. Those standards focus on Human Rights, Society, Labour and Environment and as such, provide a methodology to help assess the good governance practices of an investee company, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance. AXA IM relies on an external provider's screening framework and excludes any investee companies that have been assessed as "non-compliant" to United Nations Global Compact Principles, International Labour Organisation's (ILO) Conventions, OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights (UNGPs).

In addition, ensuring good governance practices is also addressed by the engagement policies. AXA IM implemented a comprehensive active ownership strategy – engagement and voting – where AXA IM acts as stewards of investments made on the clients' behalf. AXA IM views engagement as a means for investors to influence, shape and shift investee company's policies and practices to mitigate risks and secure long-term value. Governance practices of investee companies are engaged at first level by the portfolio managers and dedicated ESG analysts when meeting investee companies' management team. It is through the long-term investor status and in-depth knowledge of the investment targets that AXA IM feels legitimate to engage in a constructive but demanding dialogue with them.



## What is the asset allocation planned for this financial product?

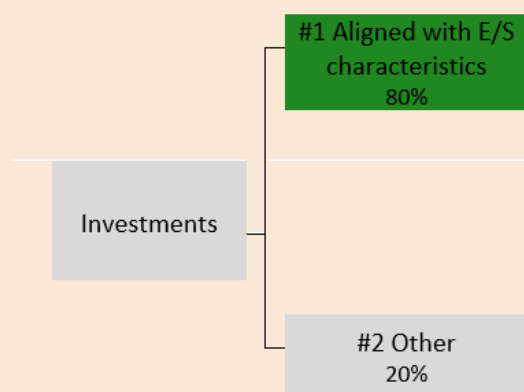
**Asset allocation** describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies

- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.

- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The Financial Product aims to plan its asset allocation as presented in the graph above. This planned asset allocation might deviate on a temporary basis.

The planned minimum proportion of the investments of the Financial Product used to meet the environmental or social characteristics promoted by the Financial Product is 80% of the Financial Product's Net Asset Value.



The remaining “Other” investments will represent a maximum of 20% of the Financial Product’s Net Asset Value. Remaining “Other” investments are used for hedging, liquidity and portfolio management of the Financial Product. Minimum environmental or social safeguards based on AXA IM exclusion policies are assessed and applied on all “Other” assets except on (i) non-single name derivatives, (ii) on UCITS and/or UCIs managed by other management company and (iii) on cash and cash equivalent investments described above.

● **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

Single names derivatives used for investment purpose apply exclusion policies and thus contribute to attain the environmental or social characteristics promoted by the Financial Product.



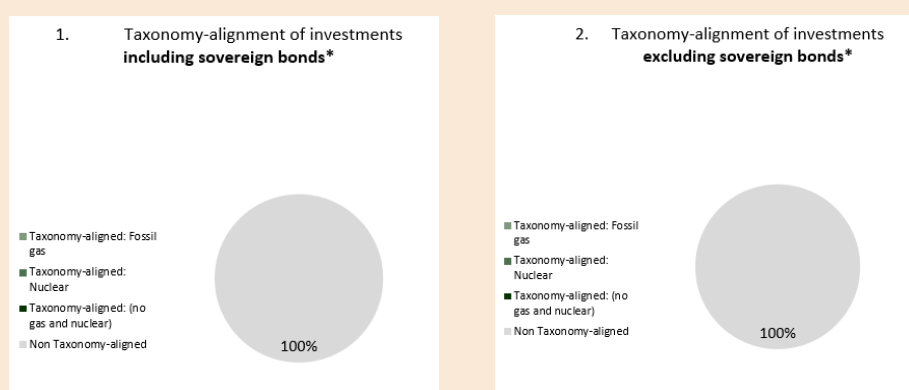
**To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?**

The Financial Product does not take into consideration the criteria of the EU Taxonomy environmental objectives. The Financial Product is not considering the “do no significant harm” criteria of the EU Taxonomy.

● **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>3</sup>?**

- ☐ Yes
- ☐ In fossil gas      ☐ In nuclear energy
- ☒ No

The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy-alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy-alignment only in relation to the investments of the financial product other than sovereign bonds.



This graph represents 100% of the total investments.\*\*


\* For the purpose of these graphs, ‘sovereign bonds’ consist of all sovereign exposures.

\*\* The proportion of total investments shown in this graph is purely indicative and may vary.

<sup>3</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change (“climate change mitigation”) and do not significantly harm any EU Taxonomy objectives -see explanatory note in the left-hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

● **What is the minimum share of investments in transitional and enabling activities?**

Not applicable

 are sustainable investments with an environmental objective that **do not take into account** the criteria for environmentally sustainable economic activities under the EU Taxonomy.



**What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?**

Not applicable



**What is the minimum share of socially sustainable investments?**

Not applicable



**What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?**

The remaining “Other” investments will represent a maximum of 20% of the Financial Product’s Net Asset Value. The “other” assets may consist in:

- cash and cash equivalent investments, and
- other instruments eligible to the Financial Product and that do not meet the Environmental and/or Social criteria described in this document. Such assets may be transferable securities, derivatives investments and investment collective schemes that do not promote environmental or social characteristics and that are used to attain the financial objective of the Financial Product and/or for diversification and/or hedging purposes.

Environmental or social safeguards are applied and assessed on all “other” assets except on (i) non-single name derivatives, (ii) on UCITS and/or UCIs managed by other management company and (iii) on cash and cash equivalent investments described above.



**Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?**

Not applicable as the designated Benchmark is a broad market index which is not aligned with the environmental and/or social characteristics promoted by the Financial Product.



**Where can I find more product specific information online?**

More information can be found on the AXA IM fund centre following that link: [Funds - AXA IM Global \(axa-im.com\)](https://axa-im.com).

More details on AXA IM sustainable investment frameworks are available on [Sustainable Finance | SFDR | AXA IM Corporate \(axa-im.com\)](https://axa-im.com).

**Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852**

**Product name:** AXA World Funds - Europe Real Estate (the "Financial Product")

**Legal entity identifier:**  
2138008R5O4FRND4OA57

## Environmental and / or social characteristics

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

### Does this financial product have a sustainable investment objective?

☒ ☒ ☐ YES

☒ ☐ ☒ NO

☐ It will make a minimum of **sustainable investments with an environmental objective**:\_%

☐ in economic activities that qualify as environmentally sustainable under the EU Taxonomy

☐ in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

☐ It will make a minimum of **sustainable investments with a social objective**:\_%

☒ It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of 10% of sustainable investments

☐ with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy

☒ with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

☒ with a social objective

☐ It promotes E/S characteristics, but **will not make any sustainable investments**



### What environmental and/or social characteristics are promoted by this financial product?

The environmental and social characteristics promoted by the Financial Product consist of investing in securities of issuers considering the ESG score further described below.

The Financial Product promotes environmental and/or social characteristics by investing in securities that have implemented good practices in terms of managing their environmental, governance and social ("ESG") practices.

The Financial Product also promotes other specific environmental and social characteristics, mainly:

- Preservation of climate with exclusion policies on coal and unconventional oil & gas activities
- Protection of ecosystem and prevention of deforestation
- Better health with exclusion on tobacco
- Labour rights, society and human rights, business ethics, anti-corruption with exclusion on companies in violation of international norms and standards such as the United Nations Global Compact Principles, International Labour Organisation's (ILO) Conventions or the OECD Guidelines for Multinational Enterprises
- Protection of human rights avoiding investing in debt instruments issued by countries where the worst forms of human right violations are observed

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by this Financial Product. A broad market index, FTSE EPRA/NAREIT Developed Europe Capped 10% Total Return index (the "Benchmark"), has been designated by the Financial Product.

The initial investment universe of the Financial Product will be defined as the Benchmark (the "Investment Universe").

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

● ***What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?***

The attainment of the environmental and social characteristics promoted by the Financial Product and described above is measured with the following sustainability indicator:

- The weighted average ESG score of the Financial Product and that of the Benchmark which is based on ESG scoring from external data provider as primary inputs assessing data points across Environment, Social and Governance (ESG) dimensions. AXA IM analysts can complement with a fundamental and documented ESG analysis in case of lack of coverage or disagreement on the ESG scoring provided that it is approved by AXA IM dedicated internal governance body.

● ***What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?***

The Financial Product intends to partially invest in instruments qualifying as sustainable investments with various social and environmental objectives (without any limitation) by assessing the positive contribution of investee companies through at least one of the following dimensions:

**1. UN Sustainable Development Goals alignment (SDG)** of investee companies as reference framework, considering investee companies which contribute positively to at least one SDG either through the products and services they offer or the way they carry out their activities ("Operations"). To be considered as a sustainable asset, an investee company must satisfy the following criteria:

a. the SDG scoring related to the "products and services" offered by the investee company is equal or above 2, corresponding to at least 20% of its revenues being derived from a sustainable activity, or

b. using a Best-in-Universe approach consisting of giving priority to the investee companies best rated from a non-financial viewpoint irrespective of their sector of activity, the SDG scoring of the investee company's Operations is on the better top 2.5%, except in consideration to the SDG 5 (Gender equality), SDG 8 (Decent work and economic growth), SDG 10 (Reduced inequalities), SDG 12 (Responsible consumption and production) and SDG 16 (Peace, justice and strong institutions), for which the SDG scoring of the investee company's Operations is on the better top 5%. For SDG 5, 8, 10

and 16 the selectivity criteria on investee company's Operations is less restrictive as such SDGs are better addressed considering the way the investee company carries out its activities than the products and services offered by the investee company. It is also less restrictive for SDG 12 which can be addressed through the products and services or the way the investee company carries out its activities.

The quantitative SDG results are sourced from external data providers and can be overridden by a duly supported qualitative analysis performed by the Investment Manager. The assessment is done at entity level and an investee company that satisfies the contribution to UN SDG criteria outlined above is considered as sustainable.

**2. Integration of investee companies engaged in a solid Transition Pathway** consistently with the European Commission's ambition to help fund the transition to a 1.5°C world - based on the framework developed by the Science Based Targets Initiative, considering investee companies which have validated Science-Based targets.

Those methodologies may evolve in the future to take into account any improvements for example in data availability and reliability, or any developments of, but not limited to, regulations or other external frameworks or initiatives.

The Financial Product is not taking into consideration the criteria of the EU Taxonomy environmental objectives.

***How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?***

The application of the Do No Significant Harm ("DNSH") Principle for the sustainable investments the Financial Product partially intends to make means that an investee company cannot qualify as sustainable if it meets any of the criteria listed below:

- The investee company causes harm along any of the SDGs when one of its SDG scores is below -5 based on a quantitative database from an external provider on a scale ranging from +10 corresponding to 'significantly contributing' to -10 corresponding to 'significantly obstructing', unless the quantitative score has been qualitatively overridden. This criterion is applied on the investee companies that are considered as sustainable.
- The investee company is in AXA IM's sectorial and ESG standards ban lists (as described below), which consider among other factors the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights. This criterion is applied on the entire portfolio.
- The investee company has a CCC (or 1.43) or lower ESG scoring according to AXA IM ESG scoring methodology. The ESG score is based on ESG scoring from external data provider as primary inputs assessing data points across Environment, Social and Governance (ESG) dimensions. AXA IM analysts can complement with a fundamental and documented ESG analysis in case of lack of coverage or disagreement on the ESG scoring provided that it is approved by AXA IM dedicated internal governance body. This criterion is applied on the entire portfolio.

Indicators for principal adverse impacts on sustainability factors are considered, including through the application of AXA IM's exclusion and stewardship policies.

***How have the indicators for adverse impacts on sustainability factors been taken into account?***

The Financial Product takes into consideration Principal Adverse Impacts ("PAI") indicators to ensure that the sustainable investments are not harming significantly any other sustainability objectives under SFDR.

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

Principal adverse impacts are mitigated through sectorial exclusion policies and AXA IM ESG standards (as described below) that are applied bindingly at all times by the Financial Product, as well as through the filters based on UN Sustainable Development Goals scoring. No specific threshold or comparison with reference value have been defined within the DNSH approach.

Where relevant, stewardship policies are an additional risk mitigation on principal adverse impacts through direct dialogue with investee companies on sustainability and governance issues. Through the engagement activities, the Financial Product will use its influence as an investor to encourage investee companies to mitigate environmental and social risks relevant to their sectors.

Voting at general meetings is also an important element of the dialogue with investee companies in order to foster sustainably long-term value of the investee companies in which the Financial Product invests and mitigates adverse impacts.

#### Exclusion Policies:

##### - Environmental:

Relevant AXA IM policies	PAI indicator
Climate Risk policy Ecosystem Protection & Deforestation policy	PAI 1: Green House Gas (GHG) emissions (scope 1, 2, & 3 starting 01/2023)
	PAI 2: Carbon Footprint
	PAI 3: GHG intensity of investee companies
Climate Risk policy	PAI 4: Exposure to Companies active in the fossil fuel sector
Climate Risk policy (engagement only)	PAI 5: Share of non-renewable energy consumption and production
Climate Risk policy (considering an expected correlation between GHG emissions and energy consumption) <sup>1</sup>	PAI 6: Energy consumption intensity per high impact climate sector
Ecosystem Protection & Deforestation policy	PAI 7: Activities negatively affecting biodiversity sensitive areas

##### - Social and Governance:

Relevant AXA IM policies	PAI indicator
ESG standards policy: violation of international norms and standards	PAI 10: Violations of United Nations Global Compact Principles & OECD Guidelines for Multinational Enterprises
ESG standards policy: violation of international norms and standards (considering an expected correlation between companies non-compliant with international norms and standards and the lack of implementation by companies of processes and compliance mechanisms to monitor compliance with those standards) <sup>2</sup>	PAI 11: Lack of processes and compliance mechanisms to monitor compliance with United Nations Global Compact Principles & OECD Guidelines for Multinational Enterprises

<sup>1</sup> The approach used to mitigate the PAI indicators through this exclusion policy will evolve as the improvement in data availability and quality enables AXA IM to use the PAI more effectively. Not all high impact climate sectors are targeted by the exclusion policy for the time being.

<sup>2</sup> The approach used to mitigate the PAI indicators through this exclusion policy will evolve as the improvement in data availability and quality enables AXA IM to use the PAI more effectively.



Voting and Engagement policy with systematic voting criteria linked with board gender diversity	PAI 13: Board Gender diversity
Controversial weapons policy	PAI 14: Exposure to controversial weapons

#### **Filter based on UN SDGs:**

The Investment Manager also relies on the SDG pillar of its sustainable investment framework to monitor and take into account adverse impacts on those sustainability factors by excluding investee companies which have a SDG score under – 5 on any SDG (on a scale from + 10 corresponding to ‘significant contributing impact’ to – 10 corresponding to ‘significant obstructing impact’), unless the quantitative score has been qualitatively overridden following a duly documented analysis by AXA IM Core ESG & Impact Research. This approach enables AXA IM to ensure investee companies with the worst adverse impacts on any SDG are not considered as sustainable investments.

Data availability and quality is lower for the time being on certain sustainability factors related to biodiversity as an example, which may impact the coverage for the following PAI indicators: emissions to water (PAI 8), hazardous and radioactive waste ratio (PAI 9) and unadjusted gender pay gap (PAI 12). Those sustainability factors are part of the 17 objectives targeted by the United Nations SDGs (more specifically they are covered through SDG 5 “Gender equality”, SDG 6 “Clean water and sanitation”, SDG 8 “Decent work and economic growth”, SDG 10 “Reduced inequalities”, SDG 12 “Responsible consumption and production” and SDG 14 “Life below water”) and AXA IM’s framework there enables to mitigate the worst impacts pending the increase on data availability and quality.

#### ***How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:***

The Financial Product does not invest in companies which cause, contribute or are linked to violations of international norms and standards in a material manner. Those standards focus on Human Rights, Society, Labour and Environment and as such, provide a methodology to help assess the good governance practices of an issuer, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance. AXA IM relies on an external provider’s screening framework and excludes any investee companies that have been assessed as “non-compliant” to United Nations Global Compact Principles, International Labour Organisation’s (ILO) Conventions, OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights (UNGPs).

The EU Taxonomy sets out a “do no significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.

The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

Any other sustainable investments must also not significantly harm any environmental or social objectives.



## Does this financial product consider principal adverse impacts on sustainability factors?

☒ Yes

☐ No

Principal adverse impacts are considered with both (i) qualitative and (ii) quantitative approaches:

(i) Qualitative approach to consider principal adverse impacts is based on exclusion and, where relevant, stewardship policies. Exclusions applied as part of the application of AXA IM's Sectorial policies and ESG Standards cover the most material sustainability factors' risks and are applied bindingly on a continuous basis.

Where relevant, stewardship policies are an additional risk mitigation on principal adverse impacts through direct dialogue with investee companies on sustainability and governance issues. Through its engagement activities, the Financial Product will use its influence as an investor to encourage investee companies to mitigate environmental and social risks relevant to their sectors.

Voting at general meetings is an important element of the dialogue with investee companies in order to foster sustainably long-term value of the investee companies in which the Financial Product invests and mitigates adverse impacts.

Through those exclusion and stewardship policies the Financial Product takes into consideration potential negative impact on those specific PAI indicators:

### For Corporates:

	Relevant AXA IM policies	PAI indicator
<b>Climate and other environment related indicators</b>	Climate Risk policy	PAI 1: Green House Gas (GHG) emissions (scope 1, 2 & 3 starting 01/2023)
	Ecosystem protection & Deforestation policy	
	Climate Risk policy	PAI 2: Carbon Footprint
	Ecosystem Protection & Deforestation policy	
	Climate Risk policy	PAI 3: GHG intensity of investee companies
	Ecosystem Protection & Deforestation policy	
	Climate Risk policy	PAI 4: Exposure to companies active in the fossil fuel sector
	Climate Risk policy (engagement only)	PAI 5: Share of non-renewable energy consumption and production
	Climate Risk policy (considering an expected correlation between GHG emissions and energy consumption) <sup>3</sup>	PAI 6: Energy consumption intensity per high impact climate sector
<b>Social and employee respect for human rights,</b>	Ecosystem Protection & Deforestation policy	PAI 7: activities negatively affecting biodiversity sensitive area
	ESG standard policy / violation of international norms and standards	PAI 10: Violation of United Nations Global Compact

<sup>3</sup> The approach used to mitigate the PAI indicators through this exclusion policy will evolve as the improvement in data availability and quality enables AXA IM to use the PAI more effectively. Not all high impact climate sectors are targeted by the exclusion policy for the time being.

<b>anti-corruption and anti-bribery matters</b>		Principles & OECD Guidelines for Multinational Enterprises
	ESG standards policy: violation of international norms and standards (considering an expected correlation between companies non-compliant with international norms and standards and the lack of implementation by companies of processes and compliance mechanisms to monitor compliance with those standards) <sup>4</sup>	PAI 11: Lack of processes and compliance mechanisms to monitor compliance with United Nations Global Compact Principles & OECD Guidelines for Multinational Enterprises
	Voting and Engagement policy with systematic voting criteria linked with board gender diversity	PAI 13: Board Gender diversity
	Controversial weapons policy	PAI 14: Exposure to controversial weapons

For Sovereigns and Supranationals:

<b>Social</b>	<b>Relevant AXA IM policies</b>	<b>PAI indicator</b>
	AXA IM ESG standards with the exclusion of investee countries with severe social violations	
	AXA IM Compliance black-list based on international and EU sanctions	

(ii) Principal adverse impacts are also considered quantitatively through the PAI indicators' measurement and reported annually in the SFDR annex in the periodic reporting. The objective is to provide transparency to investors on significant negative impact on other sustainability factors. AXA IM measures all the mandatory PAI indicators, plus additional optional environmental indicator and additional optional social indicator.



## What investment strategy does this financial product follow?

The Investment Manager selects investments by applying an extra-financial approach based on the exclusion filters as described in AXA IM's Sectorial Exclusion and ESG Standards Policies.

Those sectorial exclusions cover areas such as Controversial Weapons, Climate risks, Soft Commodities, Ecosystem Protection & Deforestation and Tobacco. The ESG Standards encompass specific exclusions on white phosphorus weapons and exclude investments in securities issued by companies in violation of international norms and standards such as the United Nations Global Compact Principles or the OECD Guidelines for Multinational Enterprises; as well as investments in securities issued by companies which are involved in severe ESG-related incidents and investments in securities issued by companies with a Low ESG quality (which has, as of the date of this document, ESG scoring below 1.43 (on a scale of 0 to 10) – such number being subject to adaptation). Instruments issued by countries where serious specific categories of violations of Human Rights are observed are

<sup>4</sup> The approach used to mitigate the PAI indicators through this exclusion policy will evolve as the improvement in data availability and quality enables AXA IM to use the PAI more effectively.

also banned. More details on those policies are available under the following link: [Policies and reports | AXA IM Corporate \(axa-im.com\)](#)

The Financial Product promotes environmental and/or social characteristics by investing in securities of companies that have implemented good practices in terms of managing their ESG practices.

The ESG criteria contribute to, but are not a determining factor in, the Investment Manager's decision making.

In addition, the Financial Product always outperforms the Investment Universe in terms of ESG scores calculated on a weighted average basis. ESG score is based on ESG scoring from external data provider as primary inputs assessing data points across Environment, Social and Governance (ESG) dimensions that include the environmental and social characteristics described above and promoted by the Financial Product. AXA IM ESG analysts can complement with a fundamental and documented ESG analysis in case of lack of coverage or disagreement on the ESG scores provided that it is approved by AXA IM dedicated internal governance body.

● ***What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?***

The Financial Product bindingly applies at all times the following elements described below.

1. The Investment Manager bindingly applies at all times AXA IM's Sectorial Exclusion and ESG Standards Policies as a first exclusion filter. The Sectorial Exclusions Policies exclude companies linked to Controversial Weapons, Climate risks, Soft Commodities (based on food and basic agricultural or the marine commodities), unsustainable practices relating to Ecosystem Protection & Deforestation and Tobacco. The ESG Standards Policy (the "ESG Standards") encompasses specific exclusions on white phosphorus weapons and excludes investments in securities issued by companies in violation of international norms and standards such as the United Nations Global Compact Principles or the OECD Guidelines for Multinational Enterprises; as well as investments in securities issued by companies which are involved in severe ESG-related incidents and investments in securities issued by companies with a Low ESG quality (which has, as of the date of this document, ESG scoring below 1.43 (on a scale of 0 to 10) – such number being subject to adaptation). Instruments issued by countries where serious specific categories of violations of Human Rights are observed are also banned. More details on those policies are available under the following link: [Policies and reports | AXA IM Corporate \(axa-im.com\)](#)

2. In addition, the Financial Product always outperforms the Investment Universe in terms of ESG scores calculated on a weighted average basis. ESG score is based on ESG scoring from external data provider as primary inputs assessing data points across Environment, Social and Governance (ESG) dimensions that include the environmental and social characteristics described above and promoted by the Financial Product. AXA IM ESG analysts can complement with a fundamental and documented ESG analysis in case of lack of coverage or disagreement on the ESG scoring provided that it is approved by AXA IM dedicated internal governance body.

AXA IM has implemented scoring methodologies to rate issuers (corporates, sovereigns, green, social and sustainability bonds) on ESG criteria. These methodologies allow to rate corporates and sovereign issuers and are based on quantitative data from several data providers as well as on qualitative analysis from internal and external research. The data used in these methodologies include carbon emissions, water stress, health and safety at work, supply chain labour standards, business ethics, corruption and instability.

The corporate and sovereign scoring methodologies rely on three pillars and several sub-factors that cover the most material risk factors encountered by issuers in the E, S and G fields. The frame of reference draws on fundamental principles, such as United Nations Global Compact Principles, the OECD Guidelines for Multinational Enterprises, the International Labour Organisation's (ILO) Conventions, and other international principles and conventions that guide companies and governments activities in the field of sustainable development and social responsibility. The analysis is based on the most material ESG risks and opportunities previously identified for each sector and company, with 10 factors: Climate Change, Natural Capital, Pollution and Waste, Environmental Opportunities, Human Capital, Product Liability, Stakeholder Opposition, Social Opportunities, Corporate Governance and Corporate Behaviour. The final ESG score also incorporates the concept of industry dependent factors and deliberately differentiates between sectors, to overweight the most material factors for each industry. Materiality is not limited to impacts relating to an investee company's operations, it also includes the impacts on external stakeholders as well as the underlying reputational risk arising from a poor grasp of major ESG issues. In the corporate methodology, the severity of controversies is assessed and monitored on an ongoing basis to make sure that the most material risks are reflected in the final ESG score. The controversies with high severity will trigger large penalties on the sub-factor scores and ultimately on the ESG scores.

These ESG scores provide a standardized and holistic view on the performance of issuers on ESG factors and enable to both promote Environmental and/or Social characteristics of the Financial Product.

3. The ESG analysis minimum coverage rate of the Financial Product's net assets is 80%; this rate being calculated according to the weighted average assets allocation mix within the Investment Universe between 90% ESG analysis minimum coverage rate for securities issued in developed countries and/or rated investment grade and 75% ESG analysis minimum coverage rate for securities issued in emerging countries, from small and micro-capitalisation universe and/or rated Sub-Investment Grade.

The ESG data (of which ESG score or SDG score wherever relevant) used in the investment process are based on ESG methodologies which rely in part on third party data, and in some cases are internally developed. They are subjective and may change over time. Despite several initiatives, the lack of harmonised definitions can make ESG criteria heterogeneous. As such, the different investment strategies that use ESG criteria and ESG reporting are difficult to compare with each other. Strategies that incorporate ESG criteria and those that incorporate sustainable development criteria may use ESG data that appear similar but which should be distinguished because their calculation method may be different. AXA IM's ESG different methodologies described herein may evolve in the future to take into account any improvements in data availability and reliability, or any developments of regulations or other external frameworks or initiatives - among others.

● ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

There is no committed minimum rate to reduce the scope of the investments considered.

● ***What is the policy to assess good governance practices of the investee companies?***

The Financial Product does not invest in companies which cause, contribute or are linked to violations of international norms and standards in a material manner. Those standards focus on Human Rights, Society, Labour and Environment and as such, provide a methodology to help assess the good governance practices of an investee company, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance. AXA IM relies on an external provider's screening framework and excludes any investee companies that have been assessed as "non-compliant" to United Nations Global Compact Principles, International Labour Organisation's

(ILO) Conventions, OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights (UNGPs).

In addition, ensuring good governance practices is also addressed by the engagement policies. AXA IM implemented a comprehensive active ownership strategy – engagement and voting – where AXA IM acts as stewards of investments made on the clients' behalf. AXA IM views engagement as a means for investors to influence, shape and shift investee companies' policies and practices to mitigate risks and secure long-term value. Governance practices of investee companies are engaged at first level by the portfolio managers and dedicated ESG analysts when meeting investee companies' management team. It is through the long-term investor status and in-depth knowledge of the investment targets that AXA IM feels legitimate to engage in a constructive but demanding dialogue with them.

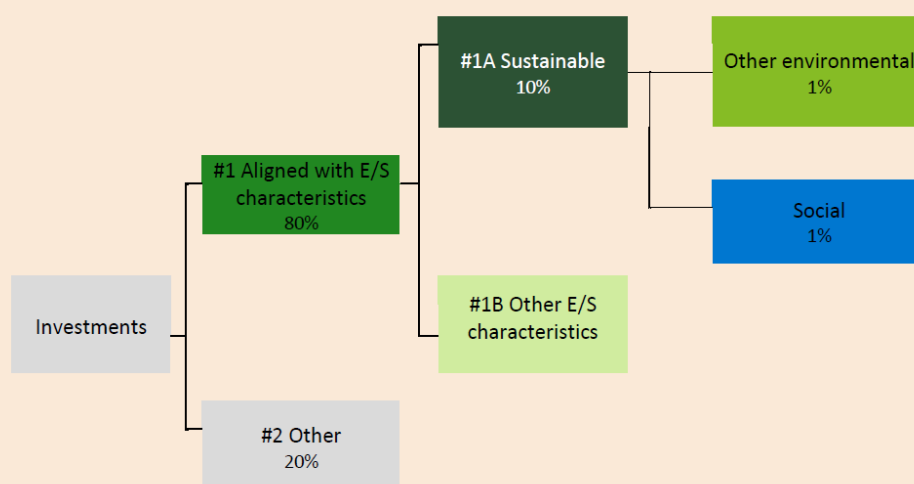


## What is the asset allocation planned for this financial product?

**Asset allocation** describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments

The Financial Product aims to plan its asset allocation as presented in the graph above. This planned asset allocation might deviate on a temporary basis.

The planned minimum proportion of the investments of the Financial Product used to meet the environmental or social characteristics promoted by the Financial Product is 80% of the Financial Product's Net Asset Value.

The planned minimum proportion of sustainable investments of the Financial Product where that Financial Product commits to making sustainable investments is 10% of the Financial Product's Net Asset Value.

The remaining "Other" investments will represent a maximum of 20% of the Financial Product's Net Asset Value. Remaining "Other" investments are used for hedging, liquidity and portfolio management of the Financial Product. Minimum environmental or social safeguards based on AXA IM exclusion policies are assessed and applied on all "Other" assets except on (i) non-single name derivatives, (ii)



on UCITS and/or UCIs managed by other management company and (iii) on cash and cash equivalent investments described above.

● **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

Not applicable



**To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?**

The Financial Product does not take into consideration the criteria of the EU Taxonomy environmental objectives. The Financial Product is not considering the 'do no significant harm' criteria of the EU Taxonomy.

● **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy <sup>5</sup>?**

☐

Yes

☐

In fossil gas

☐

In nuclear energy

☒

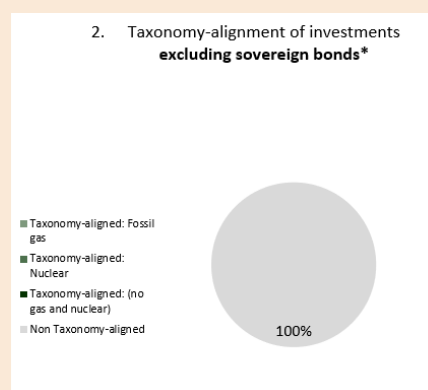
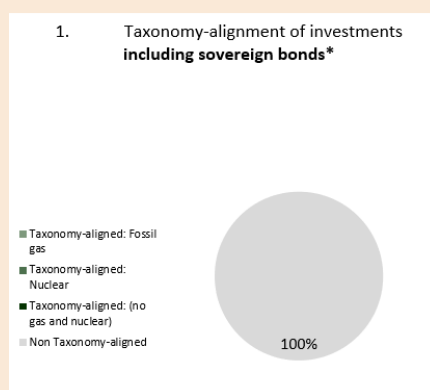
No

To comply with the EU taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy-alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy-alignment only in relation to the investments of the financial product other than sovereign bonds.



This graph represents 100% of the total investments.

\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures

● **What is the minimum share of investments in transitional and enabling activities?**

Not applicable

<sup>5</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objectives -see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.



are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.



### **What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?**

The minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy is 1% of the Financial Product’s Net Asset Value.

The proportion of investments between environmental sustainable assets not aligned with EU Taxonomy and social sustainable assets is freely allocated and adds up to at least the total sustainable investments.



### **What is the minimum share of socially sustainable investments?**

The minimum share of sustainable investments with social objectives is 1% of the Financial Product’s Net Asset Value.

The proportion of investments between environmental sustainable assets not aligned with EU Taxonomy and social sustainable assets is freely allocated and adds up to at least the total sustainable investments.



### **What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?**

The remaining “Other” investments will represent a maximum of 20% of the Financial Product’s Net Asset Value. The “other” assets may consist in:

- cash and cash equivalent investments, and
- other instruments eligible to the Financial Product and that do not meet the Environmental and/or Social criteria described in this document. Such assets may be transferable securities, derivatives investments and investment collective schemes that do not promote environmental or social characteristics and that are used to attain the financial objective of the Financial Product and/or for diversification and/or hedging purposes.

Environmental or social safeguards are applied and assessed on all “other” assets except on (i) non-single name derivatives, (ii) on UCITS and/or UCIs managed by other management company and (iii) on cash and cash equivalent investments described above.



### **Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?**

Not applicable as the designated Benchmark is a broad market index which is not aligned with the environmental and/or social characteristics promoted by the Financial Product.



### **Where can I find more product specific information online?**

More information can be found on the AXA IM fund centre following that link: [Funds - AXA IM Global \(axa-im.com\)](https://axa-im.com).

More details on AXA IM sustainable investment frameworks are available on [Sustainable Finance | SFDR | AXA IM Corporate \(axa-im.com\)](https://axa-im.com).

**Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852**

**Product name:** AXA World Funds - Global Real Estate (the "Financial Product")

**Legal entity identifier:** 213800RDYM8R86GJH846

## Environmental and / or social characteristics

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

### Does this Financial Product have a sustainable investment objective?

☒ ☒ ☐ YES

☒ ☐ ☒ NO

☐ It will make a minimum of **sustainable investments with an environmental objective**: \_%

☐ in economic activities that qualify as environmentally sustainable under the EU Taxonomy

☐ in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

☐ It will make a minimum of **sustainable investments with a social objective**: \_%

☒ It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of 10% of sustainable investments

☐ with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy

☒ with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

☒ with a social objective

☐ It promotes E/S characteristics, but **will not make any sustainable investments**



### What environmental and/or social characteristics are promoted by this financial product?

The environmental and social characteristics promoted by the Financial Product consist of investing in securities issued by issuers considering the ESG score further described below.

The Financial Product promotes environmental and/or social characteristics by investing in securities that have implemented good practices in terms of managing their environmental, governance and social ("ESG") practices.

The Financial Product also promotes other specific environmental and social characteristics, mainly:

- Preservation of climate with exclusion policies on coal and unconventional oil & gas activities
- Protection of ecosystem and prevention of deforestation
- Better health with exclusion on tobacco
- Labour rights, society and human rights, business ethics, anti-corruption with exclusion on companies in violation of international norms and standards such as the United Nations Global Compact Principles, International Labour Organisation's (ILO) Conventions or the OECD Guidelines for Multinational Enterprises
- Protection of human rights avoiding investing in debt instruments issued by countries where the worst forms of human right violations are observed

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by this Financial Product. A broad market index, FTSE EPRA/NAREIT Developed Total Return Net benchmark index (the "Benchmark"), has been designated by the Financial Product.

The initial investment universe of the Financial Product will be defined as the Benchmark (the "Investment Universe").

***What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?***

The attainment of the environmental and social characteristics promoted by the Financial Product and described above is measured with the following sustainability indicator:

- The weighted average ESG Score of the Financial Product and that of the Benchmark which is based on ESG scoring from external data provider as primary inputs assessing data points across Environment, Social and Governance (ESG) dimensions. AXA IM analysts can complement with a fundamental and documented ESG analysis in case of lack of coverage or disagreement on the ESG scoring provided that it is approved by AXA IM dedicated internal governance body.

***What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?***

The Financial Product intends to partially invest in instruments qualifying as sustainable investments with various social and environmental objectives (without any limitation) by assessing the positive contribution of investee companies through at least one of the following dimensions:

**1. UN Sustainable Development Goals alignment (SDG)** of investee companies as reference framework, considering investee companies which contribute positively to at least one SDG either through the products and services they offer or the way they carry out their activities ("Operations"). To be considered as a sustainable asset, an investee company must satisfy the following criteria:

a. the SDG scoring related to the "products and services" offered by the investee company is equal or above 2, corresponding to at least 20% of its revenues being derived from a sustainable activity, or

b. using a Best-in-Universe approach consisting of giving priority to the investee companies best rated from a non-financial viewpoint irrespective of their sector of activity, the SDG scoring of the investee company's Operations is on the better top 2.5%, except in consideration to the SDG 5 (Gender equality), SDG 8 (Decent work and economic growth), SDG 10 (Reduced inequalities), SDG 12 (Responsible consumption and production) and SDG 16 (Peace, justice and strong institutions), for which the SDG scoring of the investee company's Operations is on the better top 5%. For SDG 5, 8, 10 and 16 the selectivity criteria on investee company's "Operations" is less restrictive as such SDGs are

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

better addressed considering the way the investee company carries out its activities than the products and services offered by the investee company. It is also less restrictive for SDG 12 which can be addressed through the products and services or the way the investee company carries out its activities.

The quantitative SDG results are sourced from external data providers and can be overridden by a duly supported qualitative analysis performed by the Investment Manager.

The assessment is done at entity level and an investee company that satisfies the contribution to UN SDG criteria outlined above is considered as sustainable.

**2. Integration of investee companies engaged in a solid Transition Pathway** consistently with the European Commission's ambition to help fund the transition to a 1.5°C world - based on the framework developed by the Science Based Targets Initiative, considering investee companies which have validated Science-Based targets.

Those methodologies may evolve in the future to take into account any improvements for example in data availability and reliability, or any developments of, but not limited to, regulations or other external frameworks or initiatives.

The Financial Product is not taking into consideration the criteria of the EU Taxonomy environmental objectives.

***How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?***

The application of the Do No Significant Harm ("DNSH") Principle for the sustainable investments the Financial Product partially intends to make means that an investee company cannot qualify as sustainable if it meets any of the criteria listed below:

- The investee company causes harm along any of the SDGs when one of its SDG scores is below -5 based on a quantitative database from an external provider on a scale ranging from +10 corresponding to 'significantly contributing' to -10 corresponding to 'significantly obstructing', unless the quantitative score has been qualitatively overridden. This criterion is applied on the investee companies that are considered as sustainable.
- The investee company is in AXA IM's sectorial and ESG standards ban lists (as described below), which consider among other factors the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights. This criterion is applied on the entire portfolio.
- The investee company has a CCC (or 1.43) or lower ESG scoring according to AXA IM ESG scoring methodology. The ESG score is based on ESG scoring from external data provider as primary inputs assessing data points across Environment, Social and Governance (ESG) dimensions. AXA IM analysts can complement with a fundamental and documented ESG analysis in case of lack of coverage or disagreement on the ESG scoring provided that it is approved by AXA IM dedicated internal governance body. This criterion is applied on the entire portfolio.

Indicators for principal adverse impacts on sustainability factors are considered, including through the application of AXA IM's exclusion and stewardship policies.

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

*How have the indicators for adverse impacts on sustainability factors been taken into account?*

The Financial Product takes into consideration Principal Adverse Impacts (“PAI”) indicators to ensure that the sustainable investments are not harming significantly any other sustainability objectives under SFDR.

Principal adverse impacts are mitigated through sectorial exclusion policies and AXA IM ESG standards (as described below) that are applied bindingly at all times by the Financial Product, as well as through the filters based on UN Sustainable Development Goals scoring. No specific threshold or comparison with reference value have been defined within the DNSH approach.

Where relevant, stewardship policies are an additional risk mitigation on principal adverse impacts through direct dialogue with investee companies on sustainability and governance issues. Through the engagement activities, the Financial Product will use its influence as an investor to encourage investee companies to mitigate environmental and social risks relevant to their sectors.

Voting at general meetings is also an important element of the dialogue with investee companies in order to foster sustainably long-term value of the investee companies in which the Financial Product invests and mitigates adverse impacts.

**Exclusion Policies:**

**- Environmental:**

Relevant AXA IM policies	PAI indicator
Climate Risk policy Ecosystem Protection & Deforestation policy	PAI 1: Green House Gas (GHG) emissions (scope 1, 2, & 3 starting 01/2023)
	PAI 2: Carbon Footprint
	PAI 3: GHG intensity of investee companies
Climate Risk policy	PAI 4: Exposure to Companies active in the fossil fuel sector
Climate Risk policy (engagement only)	PAI 5: Share of non-renewable energy consumption and production
Climate Risk policy (considering an expected correlation between GHG emissions and energy consumption) <sup>1</sup>	PAI 6: Energy consumption intensity per high impact climate sector
Ecosystem Protection & Deforestation policy	PAI 7: Activities negatively affecting biodiversity sensitive areas

**- Social and Governance:**

Relevant AXA IM policies	PAI indicator
ESG standards policy: violation of international norms and standards	PAI 10: Violations of United Nations Global Compact Principles & OECD Guidelines for Multinational Enterprises

<sup>1</sup> The approach used to mitigate the PAI indicators through this exclusion policy will evolve as the improvement in data availability and quality enables AXA IM to use the PAI more effectively. Not all high impact climate sectors are targeted by the exclusion policy for the time being.



ESG standards policy: violation of international norms and standards (considering an expected correlation between companies non-compliant with international norms and standards and the lack of implementation by companies of processes and compliance mechanisms to monitor compliance with those standards) <sup>2</sup>	PAI 11: Lack of processes and compliance mechanisms to monitor compliance with United Nations Global Compact Principles & OECD Guidelines for Multinational Enterprises
Voting and Engagement policy with systematic voting criteria linked with board gender diversity	PAI 13: Board Gender diversity
Controversial weapons policy	PAI 14: Exposure to controversial weapons

#### Filter based on UN SDGs:

The Investment Manager also relies on the SDG pillar of its sustainable investment framework to monitor and take into account adverse impacts on those sustainability factors by excluding investee companies which have a SDG score under – 5 on any SDG (on a scale from + 10 corresponding to ‘significant contributing impact’ to – 10 corresponding to ‘significant obstructing impact’), unless the quantitative score has been qualitatively overridden following a duly documented analysis by AXA IM Core ESG & Impact Research. This approach enables AXA IM to ensure investee companies with the worst adverse impacts on any SDG are not considered as sustainable investments.

Data availability and quality is lower for the time being on certain sustainability factors related to biodiversity as an example, which may impact the coverage for the following PAI indicators: emissions to water (PAI 8), hazardous and radioactive waste ratio (PAI 9) and unadjusted gender pay gap (PAI 12). Those sustainability factors are part of the 17 objectives targeted by the United Nations SDGs (more specifically they are covered through SDG 5 “Gender equality”, SDG 6 “Clean water and sanitation”, SDG 8 “Decent work and economic growth”, SDG 10 “Reduced inequalities”, SDG 12 “Responsible consumption and production” and SDG 14 “Life below water”) and AXA IM’s framework there enables to mitigate the worst impacts pending the increase on data availability and quality.

#### *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:*

The Financial Product does not invest in companies which cause, contribute or are linked to violations of international norms and standards in a material manner. Those standards focus on Human Rights, Society, Labour and Environment and as such, provide a methodology to help assess the good governance practices of an issuer, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance. AXA IM relies on an external provider’s screening framework and excludes any investee companies that have been assessed as “non-compliant” to United Nations Global Compact Principles, International Labour Organisation’s (ILO) Conventions, OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights (UNGPs).

<sup>2</sup> The approach used to mitigate the PAI indicators through this exclusion policy will evolve as the improvement in data availability and quality enables AXA IM to use the PAI more effectively.

The EU Taxonomy sets out a “do no significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.

The “do no significant harm” principle applies only to those investments underlying the Financial Product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this Financial Product do not take into account the EU criteria for environmentally sustainable economic activities.

Any other sustainable investments must also not significantly harm any environmental or social objectives.



### Does this financial product consider principal adverse impacts on sustainability factors?

☒ Yes

☐ No

Principal adverse impacts are considered with both (i) qualitative and (ii) quantitative approaches:

(i) Qualitative approach to consider principal adverse impacts is based on exclusion and, where relevant, stewardship policies. Exclusions applied as part of the application of AXA IM's Sectorial policies and ESG Standards cover the most material sustainability factors' risks and are applied bindingly on a continuous basis.

Where relevant, stewardship policies are an additional risk mitigation on principal adverse impacts through direct dialogue with investee companies on sustainability and governance issues. Through its engagement activities, the Financial Product will use its influence as an investor to encourage investee companies to mitigate environmental and social risks relevant to their sectors.

Voting at general meetings is an important element of the dialogue with investee companies in order to foster sustainably long-term value of the investee companies in which the Financial Product invests and mitigates adverse impacts.

Through those exclusion and stewardship policies the Financial Product takes into consideration potential negative impact on those specific PAI indicators:

For Corporates:

	Relevant AXA IM policies	PAI indicator
Climate and other environment related indicators	Climate Risk policy	PAI 1: Green House Gas (GHG) emissions (scope 1, 2 & 3 starting 01/2023)
	Ecosystem Protection & Deforestation policy	
	Climate Risk policy	PAI 2: Carbon Footprint
	Ecosystem Protection & Deforestation policy	
	Climate Risk policy	PAI 3: GHG intensity of investee companies
	Ecosystem Protection & Deforestation policy	
	Climate Risk policy	PAI 4: Exposure to companies active in the fossil fuel sector

	Climate Risk policy (engagement only)	PAI 5: Share of non-renewable energy consumption and production
	Climate Risk policy (considering an expected correlation between GHG emissions and energy consumption) <sup>3</sup>	PAI 6: Energy consumption intensity per high impact climate sector
	Ecosystem Protection & Deforestation policy	PAI 7: activities negatively affecting biodiversity sensitive area
<b>Social and employee respect for human rights, anti-corruption and anti-bribery matters</b>	ESG standard policy / violation of international norms and standards	PAI 10: Violation of United Nations Global Compact Principles & OECD Guidelines for Multinational Enterprises
	ESG standards policy: violation of international norms and standards (considering an expected correlation between companies non-compliant with international norms and standards and the lack of implementation by companies of processes and compliance mechanisms to monitor compliance with those standards) <sup>4</sup>	PAI 11: Lack of processes and compliance mechanisms to monitor compliance with United Nations Global Compact Principles & OECD Guidelines for Multinational Enterprises
	Voting and Engagement policy with systematic voting criteria linked with board gender diversity	PAI 13: Board Gender diversity
	Controversial weapons policy	PAI 14: Exposure to controversial weapons

For Sovereigns and Supranationals:

	Relevant AXA IM policies	PAI indicator
<b>Social</b>	AXA IM ESG standards with the exclusion of investee countries with severe social violations	PAI 16: Sovereign Investee countries subject to social violations
	AXA IM Compliance black-list based on international and EU sanctions	

(ii) Principal adverse impacts are also considered quantitatively through the PAI indicators' measurement and reported annually in the SFDR annex in the periodic reporting. The objective is to provide transparency to investors on significant negative impact on other sustainability factors. AXA IM measures all the mandatory PAI indicators, plus additional optional environmental indicator and additional optional social indicator.

<sup>3</sup> The approach used to mitigate the PAI indicators through this exclusion policy will evolve as the improvement in data availability and quality enables AXA IM to use the PAI more effectively. Not all high impact climate sectors are targeted by the exclusion policy for the time being.

<sup>4</sup> The approach used to mitigate the PAI indicators through this exclusion policy will evolve as the improvement in data availability and quality enables AXA IM to use the PAI more effectively.



**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

## What investment strategy does this financial product follow?

The Investment Manager selects investments by applying an extra-financial approach based on the exclusion filters as described in AXA IM's Sectorial Exclusion and ESG Standards Policies.

Those sectorial exclusions cover areas such as Controversial Weapons, Climate risks, Soft Commodities, Ecosystem Protection & Deforestation and Tobacco. The ESG Standards encompass specific exclusions on white phosphorus weapons and exclude investments in securities issued by companies in violation of international norms and standards such as the United Nations Global Compact Principles or the OECD Guidelines for Multinational Enterprises; as well as investments in securities issued by companies which are involved in severe ESG-related incidents and investments in securities issued by companies with a Low ESG quality (which has, as of the date of this document, ESG scoring below 1.43 (on a scale of 0 to 10) – such number being subject to adaptation). Instruments issued by countries where serious specific categories of violations of Human Rights are observed are also banned. More details on those policies are available under the following link: [Policies and reports | AXA IM Corporate \(axa-im.com\)](#)

The ESG criteria contribute to, but are not a determining factor in, the Investment Manager's decision making.

In addition, the Financial Product always outperforms the Benchmark, in terms of ESG scores calculated on a weighted average basis. ESG score is based on ESG scoring from external data provider as primary inputs assessing data points across Environment, Social and Governance (ESG) dimensions that include the environmental and social characteristics described above and promoted by the Financial Product. AXA IM ESG analysts can complement with a fundamental and documented ESG analysis in case of lack of coverage or disagreement on the ESG scores provided that it is approved by AXA IM dedicated internal governance body.

### ***What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?***

The Financial Product bindingly applies at all times the following elements described below.

1. The Investment Manager bindingly applies at all times AXA IM's Sectorial Exclusion and ESG Standards Policies as a first exclusion filter.

The Sectorial Exclusions Policies exclude companies linked to Controversial Weapons, Climate risks, Soft Commodities (based on food and basic agricultural or the marine commodities), unsustainable practices relating to Ecosystem Protection & Deforestation and Tobacco.

The ESG Standards Policy (the “ESG Standards”) encompasses specific exclusions on white phosphorus weapons and excludes investments in securities issued by companies in violation of international norms and standards such as the United Nations Global Compact Principles or the OECD Guidelines for Multinational Enterprises; as well as investments in securities of companies which are involved in severe ESG-related incidents and investments in securities of companies with a Low ESG quality (which has, as of the date of this document, ESG scoring below 1.43 (on a scale of 0 to 10) – such number being subject to adaptation). Instruments issued by countries where serious specific categories of violations of Human Rights are observed are also banned. More details on those policies are available under the following link: [Policies and reports | AXA IM Corporate \(axa-im.com\)](#)

2. In addition, the Financial Product always outperforms the Benchmark in terms of ESG score calculated on a weighted average basis. ESG score is based on ESG scoring from external data provider as primary inputs assessing data points across Environment, Social and Governance (ESG) dimensions that include the environmental and social characteristics described above and promoted by the Financial Product. AXA IM ESG analysts can complement with a fundamental and documented ESG analysis in case of lack of coverage or disagreement on the ESG scoring provided that it is approved by AXA IM dedicated internal governance body.

AXA IM has implemented scoring methodologies to rate issuers (corporates, sovereigns, green, social and sustainability bonds) on ESG criteria. These methodologies allow to rate corporates and sovereign issuers and are based on quantitative data from several data providers as well as on qualitative analysis from internal and external research. The data used in these methodologies include carbon emissions, water stress, health and safety at work, supply chain labour standards, business ethics, corruption and instability.

The corporate and sovereign scoring methodologies rely on three pillars and several sub-factors that cover the most material risk factors encountered by issuers in the E, S and G fields. The frame of reference draws on fundamental principles, such as United Nations Global Compact Principles, the OECD Guidelines for Multinational Enterprises, the International Labour Organisation's (ILO) Conventions, and other international principles and conventions that guide companies and governments activities in the field of sustainable development and social responsibility. The analysis is based on the most material ESG risks and opportunities previously identified for each sector and company, with 10 factors: Climate Change, Natural Capital, Pollution and Waste, Environmental Opportunities, Human Capital, Product Liability, Stakeholder Opposition, Social Opportunities, Corporate Governance and Corporate Behaviour. The final ESG score also incorporates the concept of industry dependent factors and deliberately differentiates between sectors, to overweight the most material factors for each industry. Materiality is not limited to impacts relating to an investee company's operations, it also includes the impacts on external stakeholders as well as the underlying reputational risk arising from a poor grasp of major ESG issues. In the corporate methodology, the severity of controversies is assessed and monitored on an ongoing basis to make sure that the most material risks are reflected in the final ESG score. The controversies with high severity will trigger large penalties on the sub-factor scores and ultimately on the ESG scores.

These ESG scores provide a standardized and holistic view on the performance of issuers on ESG factors and enable to both promote Environmental and/or Social characteristics of the Financial Product.

3. The ESG analysis minimum coverage rate of the Financial Product is at 80% of the net assets of the Financial Product, this rate being calculated according to the weighted average assets allocation mix within the Investment Universe between 90% ESG analysis minimum coverage rate for securities issued in developed countries and/or rated Investment Grade and 75% ESG analysis minimum coverage rate for securities issued in emerging countries, from small and micro-capitalisation universe and/or rated Sub-Investment Grade.

The ESG data (of which ESG score or SDG score wherever relevant) used in the investment process are based on ESG methodologies which rely in part on third party data, and in some cases are internally developed. They are subjective and may change over time. Despite several initiatives, the lack of harmonized definitions can make ESG criteria heterogeneous. As such, the different investment strategies that use ESG criteria and ESG reporting are difficult to compare with each other. Strategies that incorporate ESG criteria and those that incorporate sustainable development criteria may use ESG data that appear similar, but which should be distinguished because their calculation method may be different. AXA IM's ESG different methodologies described herein may evolve in the future to take into

account any improvements in data availability and reliability, or any developments of regulations or other external frameworks or initiatives - among others.

● ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

There is no committed minimum rate to reduce the scope of the investments considered.

● ***What is the policy to assess good governance practices of the investee companies?***

**Good governance**  
practices include sound management structures, employee relations, remuneration of staff and tax compliance.

The Financial Product does not invest in companies which cause, contribute or are linked to violations of international norms and standards in a material manner. Those standards focus on Human Rights, Society, Labour and Environment and as such, provide a methodology to help assess the good governance practices of an investee company, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance. AXA IM relies on an external provider's screening framework and excludes any investee companies that have been assessed as "non-compliant" to United Nations Global Compact Principles, International Labour Organisation's (ILO) Conventions, OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights (UNGPs).

In addition, ensuring good governance practices is also addressed by the engagement policies. AXA IM implemented a comprehensive active ownership strategy – engagement and voting – where AXA IM acts as stewards of investments made on the clients' behalf. AXA IM views engagement as a means for investors to influence, shape and shift investee companies' policies and practices to mitigate risks and secure long-term value. Governance practices of investee companies are engaged at first level by the portfolio managers and dedicated ESG analysts when meeting investee companies' management team. It is through the long-term investor status and in-depth knowledge of the investment targets that AXA IM feels legitimate to engage in a constructive but demanding dialogue with them.





## What is the asset allocation planned for this financial product?

### Asset allocation

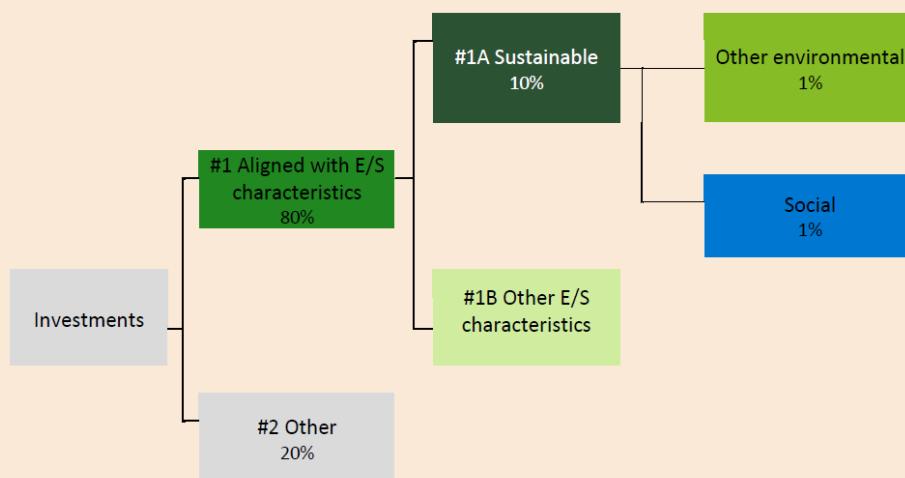
describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies

- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.

- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives.

- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments

The Financial Product aims to plan its asset allocation as presented in the graph above. This planned asset allocation might deviate on a temporary basis.

The planned minimum proportion of the investments of the Financial Product used to meet the environmental or social characteristics promoted by the Financial Product is 80% of the Financial Product's Net Asset Value.

The planned minimum proportion of sustainable investments of the Financial Product where that Financial Product commits to making sustainable investments is 10% of the Financial Product's Net Asset Value.

The remaining "Other" investments will represent a maximum of 20% of the Financial Product's Net Asset Value. Remaining "Other" investments are used for hedging, liquidity and portfolio management of the Financial Product. Minimum environmental or social safeguards based on AXA IM exclusion policies are assessed and applied on all "Other" assets except on (i) non-single name derivatives, (ii) on UCITS and/or UCIs managed by other management company and (iii) on cash and cash equivalent investments described above.

### How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?

Single names derivatives used for investment purpose apply exclusion policies and thus contribute to attain the environmental or social characteristics promoted by the Financial Product.



## To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

The Financial Product does not take into consideration the criteria of the EU Taxonomy environmental objectives. The Financial Product is not considering the 'do no significant harm' criteria of the EU Taxonomy.

### Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy <sup>5</sup>?

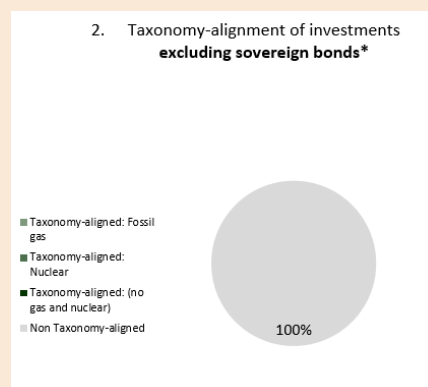
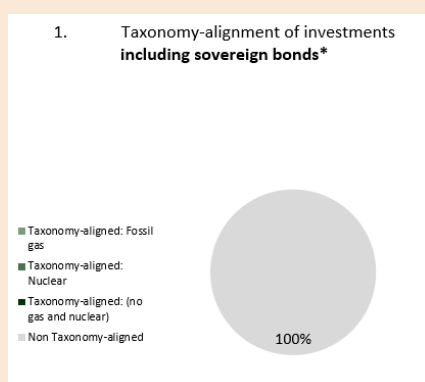
☐ Yes

☐ In fossil gas

☐ In nuclear energy

☒ No

The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy-alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy-alignment only in relation to the investments of the financial product other than sovereign bonds.



This graph represents 100% of the total investments.

\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures

### What is the minimum share of investments in transitional and enabling activities?

Not applicable



### What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

The minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy is 1% of the Financial Product's Net Asset Value.

<sup>5</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objectives -see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

The proportion of investments between environmental sustainable assets not aligned with EU Taxonomy and social sustainable assets is freely allocated and adds up to at least the total sustainable investments.



### **What is the minimum share of socially sustainable investments?**

The minimum share of sustainable investments with social objectives is 1% of the Financial Product's Net Asset Value.

The proportion of investments between environmental sustainable assets not aligned with EU Taxonomy and social sustainable assets is freely allocated and adds up to at least the total sustainable investments.



### **What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?**

The remaining “Other” investments will represent a maximum of 20% of the Financial Product's Net Asset Value. The “other” assets may consist in:

- cash and cash equivalent investments, and
- other instruments eligible to the Financial Product and that do not meet the Environmental and/or Social criteria described in this document. Such assets may be transferable securities, derivatives investments and investment collective schemes that do not promote environmental or social characteristics and that are used to attain the financial objective of the Financial Product and/or for diversification and/or hedging purposes.

Environmental or social safeguards are applied and assessed on all “other” assets except on (i) non-single name derivatives, (ii) on UCITS and/or UCIs managed by other management company and (iii) on cash and cash equivalent investments described above.



### **Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?**

Not applicable as the designated Benchmark is a broad market index which is not aligned with the environmental and/or social characteristics promoted by the Financial Product.



### **Where can I find more product specific information online?**

More information can be found on the AXA IM fund centre following that link: [Funds - AXA IM Global \(axa-im.com\)](https://axa-im.com).

More details on AXA IM sustainable investment frameworks are available on [Sustainable Finance | SFDR | AXA IM Corporate \(axa-im.com\)](https://axa-im.com).