Sustainable Finance Disclosure Regulation

The European Union has launched a Sustainable Action Plan in order to support the delivery of the objectives of the European Green Deal, by channelling private investments towards the transition to a climate-neutral, climate-resilient, resource-efficient and just economy.

As part of this action plan, Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (**the Regulation**) was enacted in November 2019. It introduces new rules on disclosures relating to sustainable investments and sustainability risks, which are applicable to AXA Life Europe (**we or us**) as an Irish-based insurance undertaking making available insurance-based investment products to its customers throughout the EU.

In line with the Regulation, the purpose of this page is to outline our approach to:

- the integration of "**sustainability risks**" in our investment decision-making processes
- the consideration of "**principal adverse impacts**" of our investment decisions on sustainability factors
- the integration of **sustainability risks in our remuneration policies**.

For the purposes of the Regulation:

"sustainability risks" means an environmental, social or governance event or condition which, if it occurs, could cause an actual or a potential material negative impact on the value of an investment, and "sustainability factors" means environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

"Principal adverse impacts" refers to the impacts of investment decisions which result in material negative effects on any of the above sustainability factors.

Sustainability Risks

AXA Life Europe ceased writing new business in 2016. However, we have an existing book of circa 200,000 policyholders across various European markets. The products sold by AXA Life Europe to our policyholders consist of single and regular premium unit-linked policies with guaranteed minimum benefits (also known as unit-linked with guarantees or variable annuities). These products did not promote environmental or social characteristics. Additionally, at the time of sale, AXA Life Europe did not specifically consider sustainability risks as part of the key criteria to select its policyholder funds range.

The investment funds underlying AXA Life Europe's unit-linked policies are primarily managed by AXA Investment Managers (**AXA IM**). This asset manager is integrating Environmental, Social and Governance (**ESG**) considerations as part of its on-going investment decision-making processes.

AXA IM

AXA IM is the AXA Group (**AXA**) in-house investment management company. As such, AXA IM fully adheres to the principles set out in AXA's Responsible Investment Policy. Under the Policy, asset managers are relying on the following strategies to manage sustainability risks:

- the use of "exclusion" policies, aimed at excluding any asset exposed to the most severe sustainability risks identified during the investment decision-making process; and

- the use of proprietary ESG scoring methodologies designed to identify assets with a better overall ESG performance and lower sustainability risks.

AXA's sectoral exclusion policies are focused on the following ESG factors:

- E: climate (coal mining and coal-based energy production; oil sands production and oil sands-related pipelines), biodiversity (palm oil production) or soft commodities (food commodities derivatives);

- S: health (tobacco manufacturing) and human rights (controversial weapons manufacturing; UNGC breach);

- G: business ethics (breach of United Nations Global Compact).

More details on these exclusion policies and their scope of application are available on the dedicated section of the AXA Group's website: https://www.axa.com/

Other asset managers

A small proportion of the funds AXA Life Europe invests on behalf of policyholders is managed by other asset managers. The approach adopted by those asset managers to manage sustainability risks will likely be available on their website, in line with the Regulation.

As noted above, to date we have not specifically considered ESG matters when choosing third party asset managers or unit-linked investment funds. However, from March 2021, sustainability risks (and more specifically the likely impacts of sustainability risks on the returns of unit-linked funds made available to our customers), will form part of our investment decision-making process going forward where for any reason, we need to consider replacing a fund in which our policyholder assets are invested. Where required, relevant disclosures will be made to policyholders as part of this process.

Principal adverse impacts of investment decisions

To date, AXA Life Europe has not considered the principal adverse impacts of its investment decisions on sustainability factors (*i.e.* environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters) as part of its internal policies and processes. As we are now closed to new business, we currently do not anticipate any changes to our approach in this respect.

Integration of sustainability risks in the AXA Group Remuneration Policy

The AXA Group ensures an appropriate balance between fixed and variable components of remuneration, where the fixed component represents a sufficiently high proportion of the total remuneration to avoid employees being overly dependent on the variable components and to allow the operation of a flexible policy on variable pay components.

In this context, the overall remuneration structure is based on the following components which are designed to provide balance and avoid excessive risk taking for short-term financial gain:

- **A fixed component** which comprises base salary and any other fixed allowances. Fixed remuneration primarily reflects the relevant organizational responsibility, professional experience, technical and leadership skills required of the role, criticality or scarcity of skills as well as the individual's capability to sustainably perform the duties of the role.

- **A variable component** which comprises an upfront cash element (Short Term Incentive - STI) and may be supplemented by a deferred element recognising the importance of aligning remuneration over long-term value creation. The deferred element or Long-Term Incentives (LTI) is awarded through equity-based instruments or equivalents, such as AXA Performance Shares or AXA Restricted Shares. The financing of variable remuneration is calculated according to defined performance indicators taking into consideration both financial and non-financial achievements.

All variable remuneration amounts are awarded in accordance with performance and there is no minimum payment guaranteed.

The level and the structure of the executives' target variable compensation are based on: (i) internal fairness with a similar job at the same level in an equivalent perimeter, (ii) market practices reflected by external benchmark from an independent provider, (iii) level of seniority within the organization and, if applicable, (iv) any regulatory requirements.

The Remuneration Policy is consistent with the integration of 'sustainability risks' within the meaning of, and as required by the Regulation. Sustainability risks are integrated in both short-term and long-term variable remuneration elements:

- AXA LTI:
    - AXA Performance Shares include Group Sustainability criteria weighting for 30% of the overall performance. Achievement on specific climate related target (reduction of operations' carbon emissions) and Inclusion and Diversity target (increase the proportion of women in Group's executive population) complement the target on AXA's score on the *Dow Jones Sustainability Index* (assessing Environmental, Social and Governance dimensions).
    - AXA Restricted Shares are subject to a Group Sustainability criterion. To benefit from the totality of AXA Restricted Shares initially granted, a minimum Group Sustainability criterion based on AXA's average score in the *Dow Jones Sustainability Index* shall be met at the end of the performance period.
- The target letters for Market / Operational Entity Heads includes Corporate Responsibility qualitative criteria.