



Investment
Managers

2019

**Real Assets
ESG highlights**



AXA Investment Managers - Real Assets is one of the world's largest real asset managers¹ with €84.9bn² in assets under management (AUM).

We offer a 360° approach to investing in real estate and infrastructure markets, across major geographies and sectors.

€46.7bn 
of AUM covered by an ESG rating


We use a proprietary system to assess the Environmental, Social and Governance (ESG) performance of our direct real estate, commercial real estate (CRE) debt and infrastructure assets under management.

9 
GRESB Green Star funds

In our ninth year of participation in the Global ESG benchmark for Real Assets, we entered 12 direct real estate and infrastructure funds, representing €11.9bn in AUM. Nine were awarded Green Star status, demonstrating performance above the benchmark.

€20.8bn 
in certified assets³

We have obtained sustainability certifications (e.g. BREEAM, LEED, HQE) for 257 buildings and forests worldwide, representing 3.8 million m² of buildings and 41,000 hectares of forest.

€1.5bn 
in low-carbon infrastructure

Our infrastructure debt portfolio includes investments in 19 “green” projects consistent with a <2°C warming limit⁴. In 2018, 3.4GW of renewable energy was produced from wind, solar and hydro projects financed by AXA IM – Real Assets.

¹ INREV/ANREV Fund Manager Survey – May 2019. Rankings based on non-listed direct real estate assets under management.

² AXA Investment Managers – Real Assets (unaudited). Assets under management at 30 June 2019. ESG data at 30 September 2019.

³ AXA Investment Managers – Real Assets (unaudited) at 30 September 2019.

⁴ According to criteria set out by the Climate Bonds Initiative.



Responsible investing in a world of disruption

Isabelle Scemama,
CEO, Real Assets

The past 12 months have seen a sharp rise in public awareness of the climate crisis and its likely future impacts. If the Paris Agreement binds governments to contain global warming below 2°C, it is the responsibility of investors to deliver on that promise.

As one of the world's largest real asset managers, we are in a position to take action, with impacts that are real and measurable. Our **360° approach to investing** covers real estate and infrastructure, equity and debt: the choices we make on behalf of clients contribute to setting the direction of markets.

Our role has always been to enhance the value of the assets we manage on behalf of clients, and advise them on financial and non-financial risks and opportunities. In the broadest sense, our business is **engaging the future**. This means integrating ESG criteria into our investment decisions and transforming our assets, to improve their environmental and social impacts, protect them against the effects of climate change and anticipate societal changes.

Our responsible investment strategy is built on **three key pillars**. The first aims at decarbonizing our real estate assets, monitoring their emissions in line with Paris targets. The second considers the resiliency of our assets in relation to physical risks from climate change and transitional risks arising from market trends and the energy transition. The third focuses on building the foundations of tomorrow's society. This means creating healthy, low-carbon buildings that are adapted to new ways of working and living, and investing in infrastructure.

“**Our business is engaging the future. This means addressing ESG risks, and actively working to create a better world.**”

Our strategy is to adapt and to leverage our expertise to take advantage of opportunities.

Size is an advantage in a world of disruption.

It gives us access to the information we need to make the right decisions – from our 600 specialists on the ground worldwide, but also from our parent, the AXA Group, whose risk data and analysis form the basis of our resilience models. It enables us to take an ambitious approach, applying ideas that work across a large and diversified portfolio. Size also enables us to play a proactive role in the industry.

Finally, as one of Europe's largest real asset dealmakers, we have the opportunity to become **ESG leaders**. I personally am enthused by this challenge, and believe we are ready, proactively engaging in building a better world, as we work to protect the future value of our clients' investments.

Our 3 pillars

to address ESG risks and opportunities

1

DECARBONISATION

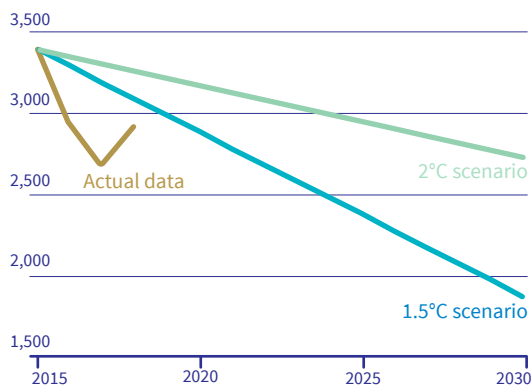
Measure and act on carbon and climate risk

We are developing action plans to improve **energy efficiency** and reduce greenhouse gas (GHG) emissions from our assets, aligning their performance with Paris Agreement targets to keep global temperature increases below 2°C.

In 2018 we assessed the **carbon footprint** of €43bn in direct real estate AUM via a dedicated online platform, and developed an emissions profile for each asset which maps out the CO₂ reduction required to reach our targets. Initiatives to **reduce emissions** range from replacing lighting systems with LED, to implementing an Energy Management Plan with data monitoring and switching to a green energy provider.

French office emission profile¹

Tonnes CO₂ (Scope 1 & 2)



¹ Emissions from a French office asset managed by AXA IM - Real Assets. Data at 30 September 2019. This chart is for illustrative purposes only.

2

RESILIENCE

Measure and mitigate the risks associated with climate change

Climate change presents two risks to assets. The first is **physical**, in the form of exposure to extreme weather or catastrophic events. The second is **transitional** as we move towards a low-carbon economy– regulatory changes or shifts in customer demand that impact our ability to let or sell a building or asset.

AXA IM - Real Assets uses insight from AXA Group to measure the physical risks to the assets we manage and to calculate value at risk. Climate related risks are increasingly considered in every acquisition, asset plan and development. To address transitional risks, we take part in **working groups** alongside AXA Group to understand upcoming changes in legislation.



Climate change risk assessed

100% of AUM

3

BUILDING TOMORROW

Identify new opportunities to create and enhance value

Our teams actively seek out opportunities for impact, identifying best practice across the managed portfolio and replicating it where we can.



Social impact

Wellbeing, health, education, economic prosperity



Infrastructure

Renewable energy, connectivity and digitalisation



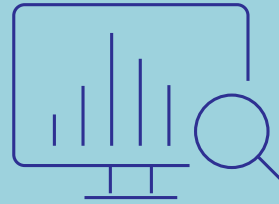
Natural capital

Forestry, carbon sequestration, biodiversity



Product & industry

Investments, specific funds, thought leadership, climate experts



Tools to support our approach

Data management tool

Our dedicated ESG data management software collects energy, water and waste data for over 1,000 real estate assets

Ratings

We conduct proprietary ESG ratings for all assets to understand ESG performance

Action plans

Based on the ESG rating for directly managed properties, we develop detailed action plans to improve performance

Certification

We target recognised sustainability certifications (BREEAM, LEED, HQE) for our direct property assets

ESG in action

- Decarbonisation
- Resilience
- Building Tomorrow

OFFICE

Action plans for assets across the portfolio include initiatives to reduce **carbon emissions**. Targets are often challenging: assessment of 21 assets in a flagship core fund, for example showed an average carbon intensity of 42 kgCO₂/m² in 2018. To reach the Paris agreement target of <2°C for this portfolio, we would need to reduce CO₂ emissions by 20% by 2030. At **Tour First**, an office building in Paris La Défense, a 15% reduction in CO₂ emissions has been achieved since 2015 following the introduction of an energy management and data monitoring plan.

DEVELOPMENT

Twentytwo Bishopsgate, our flagship development gained 5/5 green stars in the 2019 GRESB benchmark, and ranked first for UK development funds. The 128,000m² skyscraper is targeting BREEAM Excellent, and is also applying for the **WELL Building Standard**. Twentytwo Bishopsgate is set to become one of the first buildings in London to use an offsite consolidation centre for all of its deliveries, reducing air and noise pollution and traffic congestion.



HEALTHCARE

As longer life expectancies drive demand for healthcare services, AXA IM- Real Assets has invested over €1.9bn in health-related asset classes. In 2019, we gained **Italy's first BREEAM certification** in the healthcare sector for a clinic in Bergamo, with a further three clinics gaining BREEAM in Use certification in 2019. Twelve acute care hospital facilities in the Piedmont and Lombardy region are under assessment and are expected to be certified in 2020.

HOSPITALITY

For **CRE debt**, we evaluate the ESG profile of underlying assets and ESG commitments of loan sponsors to calculate ESG risk profiles. In 2019, we financed a flagship **hotel in Spain** which has been awarded the GreenLeaders certification for demonstrating significant sustainability performance. The owners installed energy efficient lighting, and developed water efficiency measures and an innovative smartphone application to reduce waste. The hotel also procures locally grown produce.

CLIMATE RESILIENCE

In 2019, we assessed the current level of **climate-related risk** across all real estate assets using risk modelling insights from AXA Group. Over the coming year, we will incorporate work from our colleagues in **Australia** on future climate scenario modelling into this approach. The climate resilience **risk rating system**, developed in partnership with engineering firm AECOM, assesses climate risk exposure and vulnerability at a city and asset level. The methodology facilitates decision-making with respect to both asset acquisition and asset management strategy.

RETAIL

A number of social and environmental initiatives are in place at **French retail assets**. A partnership with a mobile application, **Too Good To Go** is in place at numerous centres in and around Paris including Belle Epine, Les 4 Temps, Val d'Europe, and Forum des Halles. The app enables restaurants to **reduce waste** by selling unsold meals: customers order a surprise meal and pick it up at the end of the day. In a separate partnership, Tesla has installed 10 electric charging points in the car park of Belle Epine.



FORESTRY

AXA IM – Real Assets has more than doubled the size of its forestry portfolio since 2015. The acquisition of a **4,000 ha forest in Ireland** in 2019 took assets under management to 41,000 ha, valued at over €230 million. Forests under management benefit from **sustainability certifications**: PEFC in France and FSC in Finland. Forests under management have the potential to store approximately 117,000 tCO₂.

LOGISTICS

Improving the social impact of the buildings we develop is an important part of our strategy for Building Tomorrow. Our 39,900m² logistics development in Dunstable, UK is built using sustainable materials, fitted with solar panels, and **focuses on wellbeing** to improve employee productivity. Sensors and smart meters monitor air, water quality, noise, lighting, humidity, temperature, and occupancy patterns. **Biodiversity** is integrated throughout the site, which also features a wellness area, running track and orchard.

RESIDENTIAL

AXA IM – Real Assets' latest residential development in **Lenzburg, Switzerland** is designed to produce more energy than it consumes. Certified Minergie-A, the equivalent of a Plus-Energy house, the 20-apartment multifamily development features a heat pump and solar panels on the roof to support a **self-consumption community**. The modular construction was completed in under five months. This means it can be reproduced elsewhere in Switzerland, enabling us to offer tenants sustainable apartments at an affordable cost.





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