

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 IM ACT US Short Duration High Yield Low Carbon (the “Financial Legal entity identifier: 21380016844YDDKHVW28 Product”)

Environmental and / or social characteristics

Does this financial product have a sustainable investment objective?

<div><div><div></div><div></div></div><div><input type="checkbox"/> YES</div></div>	<div><div><div></div><div></div></div><div><input checked="" type="checkbox"/> NO</div></div>
<div><div><input type="checkbox"/> It will make a minimum of sustainable investments with an environmental objective:</div><div><div><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</div><div><input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</div></div><div><div><input type="checkbox"/> It will make a minimum of sustainable investments with a social objective:</div></div></div>	<div><div><input checked="" type="checkbox"/> 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 0.0 % of sustainable investments</div><div><div><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</div><div><input checked="" type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</div><div><input checked="" type="checkbox"/> with a social objective</div></div><div><div><input type="checkbox"/> It promotes E/S characteristics, but will not make any sustainable investments</div></div></div>



## 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 issuers considering their carbon intensity and water intensity.

The Financial Product also promotes other specific environmental and social characteristics, mainly:

- Preservation of climate with exclusion policies on coal and oil sand activities
- Protection of ecosystem and prevention of deforestation
- Better health with exclusion on tobacco
- Labor 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 Labor Organization's (ILO) Conventions or the OECD guidelines for Multinational Enterprises.

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by this 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 indicators:

- Carbon Intensity by Revenues means Environmental Key Performance Indicator provided by an external data provider. The amount of Greenhouse Gas (GHG) released into the atmosphere per million \$ of revenue. It is expressed in CO<sub>2</sub>e tons per millions \$ revenue.
  - The weighted average Water Intensity of the Financial Product 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 and is provided by an external data provider.
- ***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 has no objective of sustainable investments.



## Does this financial product consider principal adverse impacts on sustainability factors?

☒ Yes

☐ No

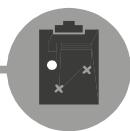
Principal adverse impacts are considered with both (i) qualitative and (ii) quantitative approaches:

**(i)** Qualitative approach to consider principal adverse impact is based on exclusion and, where relevant, stewardship policies. Exclusion policies as part of the AXA IM 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 companies on sustainability and governance issues. Through its engagement activities, the Financial Product will use its influence as an investor to encourage 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 companies in which the Financial Product invest and mitigate adverse impacts.

Through those exclusion and stewardship policies the Financial Product takes into consideration potential negative impact on those specific PAI indicators:

	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
	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 UN 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

(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.



## What investment strategy does this financial product follow?

The Financial Product is actively managed and references the ICE BofA US High Yield Index (the "Benchmark") by seeking to achieve its extra-financial objectives. As part of the investment process, the Manager and the Sub-Investment Manager has full discretion over the composition of the Financial Product's portfolio and may take exposure to companies, countries or sectors not included in the Benchmark, even though the Benchmark constituents are generally representative of the Financial Product portfolio. As part of the investment process, the Manager and the Sub-Investment Manager consider carbon footprint and water intensity in the securities selection process and portfolio construction in addition to more traditional credit and financial analysis. Thus, the deviation from the Benchmark is likely to be significant. For the sake of clarity, the Financial Product's Benchmark is a broad market index that has neither an explicit investment nor sustainability objective but is used to measure the success of the Financial Product's investment and sustainability objectives.

The Manager and the Sub-Investment Manager selects investments by applying an extra-financial approach by analysing carbon intensity and water intensity data to ensure that the average of KPI (key performance indicator) carbon intensity and water intensity calculated at Financial Product level is at least 30% better than that calculated for the Benchmark, followed by the application of AXA IM's Sectorial Exclusion Policies and ESG Standards 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 investment strategy described below.

1. The Manager bindingly applies at all times a first exclusion filter, encompassing areas such as Controversial Weapons, Climate risks, Soft Commodities and Ecosystem Protection & Deforestation. The Financial Product also apply the AXA IM's Environmental, Social and Governance standards policy ("ESG Standards") integrating the ESG Standards in the investment process by applying specific sectorial exclusions such as tobacco and 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 (which is, as of the date of this Prospectus, below 1.43 (on a scale of 0 to 10) – such number being subject to regular review and adaptation). Instruments issued by countries where serious specific categories of violations of Human Rights are observed are also banned.

Considering the specificities of the US High Yield market, and the predominance of unconventional oil and gas in the energy sector, the Financial Product applies an additional set of exclusion, on top of the AXA IM Sectorial Exclusions and ESG Standards Policies described above. To align with the objective of contributing to the transition into a low carbon economy and to avoid financing laggards in the climate transition, the following sub sectors are also excluded from the eligible universe of the Financial Product:

- energy - exploration & production
- integrated energy
- oil refining & marketing
- oil field equipment & services
- metals/mining

- steel producers and products
- electric – distribution/transportation (utilities)
- electric – generation (utilities)
- electric – integrated (utilities)
- non-electric utilities

The Manager also considers internal and external information gained from several sources such as engagement policy (as described in the following link: [https://www.axa-im.com/sites/corporate/files/insight/pdf/AXA\\_IM\\_Engagement\\_Policy\\_Oct\\_20.pdf](https://www.axa-im.com/sites/corporate/files/insight/pdf/AXA_IM_Engagement_Policy_Oct_20.pdf)) feedback, data from an external provider of environmental data on companies to support the assessment of risk relating to climate change and public sustainability disclosures. Along with the financial characteristics of each security this information will be considered both prior to investment as well as on an ongoing basis.

In view of achieving the long-term global warming objectives of the Paris Agreement<sup>1</sup>, the Financial Product uses the following methodology:

- the Financial Product uses the 1.5°C scenario with no or limited overshoot as the reference temperature scenario
- the Financial Product recalculates the GHG intensity and the absolute GHG emissions at least on a yearly basis
- the Financial Product will phase in the scope 3 GHG emissions
- the Financial Product will seek to invest in companies setting and publishing GHG emission reduction targets
- the maximum GHG intensity of the Financial Product will apply a decarbonization trajectory with a target of 7% reduction on average per annum
- the baseline reduction of the maximum GHG intensity versus the investment universe (the Benchmark) is at least 30%.

2. The objective of the strategy, on top of delivering high income, is to seek to provide a material reduction in carbon and water intensity versus the Benchmark and a continuous effort to finance the transition to a low carbon economy. To achieve this objective, the Manager will build a portfolio of securities that will allow the Financial Product to meet a binding engagement on a reduction of 30% relative to the Benchmark on both “Carbon Intensity” and “Water Intensity” ESG Key Performance Indicators.

3. The coverage rate for the carbon intensity indicator and the ESG analysis rating within the portfolio are each at least 90% of the net assets of the Financial Product, while the coverage rate for the water intensity indicator within the portfolio will be at least 70% of the net assets of the Financial Product. These coverage rates exclude bonds and other debt securities issued by sovereign issuers, and cash or cash equivalent held on an ancillary basis. The carbon intensity and water intensity indicators will be obtained from an external provider. The ESG rating method is described in the following link: <https://www.axa-im.com/who-we-are/responsible-investing>

The ESG data 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 ?**

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<sup>1</sup> Agreement adopted under the United Nations Framework Convention on Climate Change, which was approved by the European Council Decision (EU) 2016/1841 of 5 October 2016 and which entered into force on 4 November 2016.

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?**

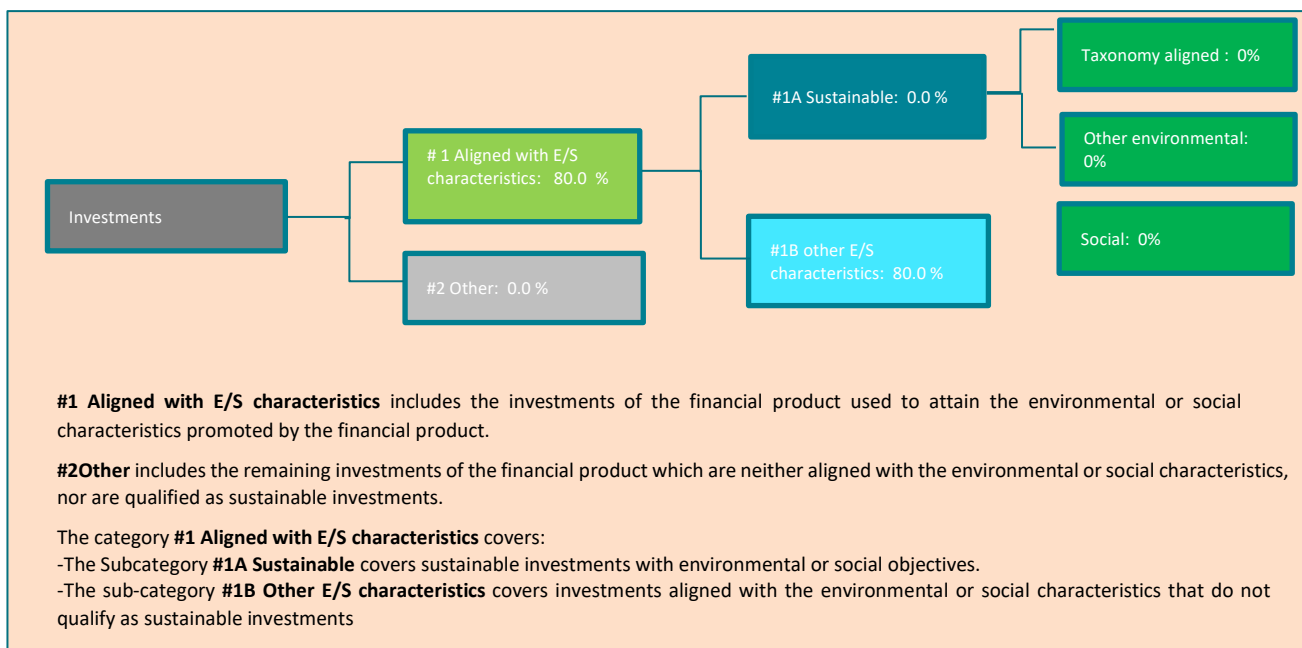
The Financial Product doesn't invest in companies which cause, contribute or are linked to violations of international norms and standards in a material manner. Those standards notably focus on Human Rights, Society, Labor and Environment. AXA IM relies on an external provider's screening framework and excludes any companies that have been assessed as "non compliant" to UN's Global Compact Principles, International Labor Organization'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 policies and practices to mitigate risks and secure long-term value. Governance practices of companies are engaged at first level by the portfolio managers and dedicated ESG analysts when meeting 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?

The Financial Product aims to plan its assets' allocation as presented in the graph below. 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 80.0 % of the Financial Product Net Asset Value.

The planned minimum proportion of sustainable investments of the Financial Product that the Financial Product commits to making sustainable investments is 0.0 % of the Financial Product Net Asset Value.

The remaining “Other” investments will represent a maximum of 20% of the Financial Product Net Asset Value.

- ***How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?***

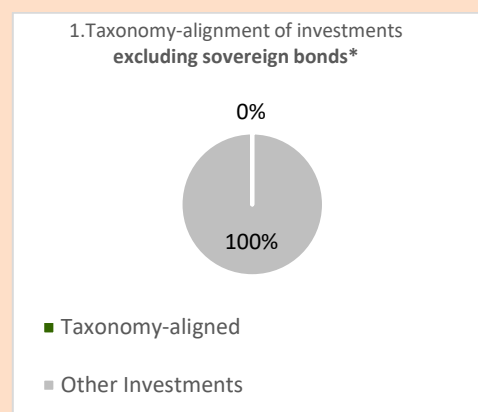
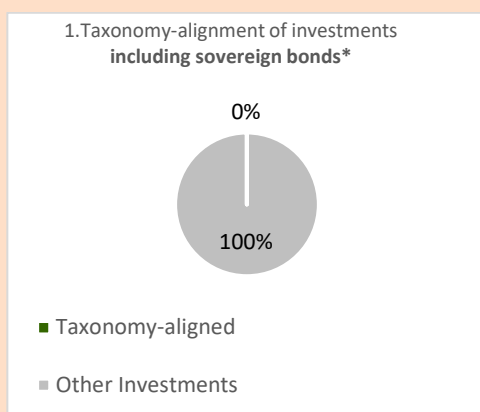
Derivatives are not used to attain the environmental or social characteristics promoted by the Financial Product except single names derivatives that apply exclusion policies.



## 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 not significant harm” criteria of the EU Taxonomy.

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 bond



\* 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?

The minimum share of investments in transitional and enabling activities is up to 0.0 % of the Financial Product Net Asset Value.



## 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 0.0 % of the Financial Product Net Asset Value.



## What is the minimum share of socially sustainable investments?

The minimum share of sustainable investments with social objective is 0.0 % of the Financial Product Net Asset Value.





## **What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?**

The “other” assets may consist in:

- 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, and
- other instruments eligible to the Financial Product and that do not meet the Environmental and/or Social criteria described in this appendix. Such assets may be transferable debt 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) 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?**

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: [AXA IM ACT Short Duration High Yield Low Carbon](#).

More details on AXA IM Net Zero and sustainable investment frameworks are available on [Sustainable Finance | SFDR](#) | [AXA IM Corporate \(axa-im.com\)](#).